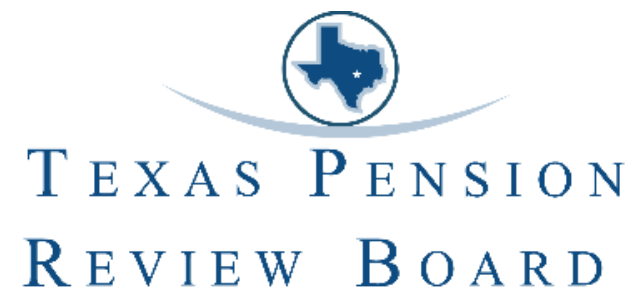




# **GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**

88<sup>th</sup> Legislature  
March 2023



# Texas Pension Review Board



**Stephanie Leibe, Chair**

Term Expiration: January 31, 2027

Hometown: Austin

**Christopher Gonzales**

Term Expiration: January 31, 2027

Hometown: Cypress

**Keith Brainard, Vice Chair**

Term Expiration: January 31, 2025

Hometown: Georgetown

**Rob Ries**

Term Expiration: January 31, 2023

Hometown: Austin

**Marcia Dush**

Term Expiration: January 31, 2025

Hometown: Austin

**Christopher Zook**

Term Expiration: January 31, 2027

Hometown: Houston

**Amy Cardona**  
Executive Director

March 9, 2023

Honorable Members of the 88th Texas Legislature

Ladies and Gentlemen:

The Texas Pension Review Board (PRB) is pleased to present its *Guide to Public Retirement Systems in Texas, March 2023*. The PRB publishes the *Guide* for each legislative session to give lawmakers, the public, retirement systems, and other stakeholders a quick reference guide for understanding and finding information on the state's public retirement systems, including current actuarial, financial, benefits, and governance data.

This session's *Guide* is designed to give readers an overview of the status of public retirement systems in Texas, as well as a brief explanation of the most important concepts associated with pre-funded defined benefit plans. The PRB's [Public Pension Data Center](#) contains the most recently available system-specific and comparative data.

Overall, Texas public pension systems have seen an improvement in their funding over the last biennium:

- The average aggregate funded ratio has increased from approximately 77 percent to 79 percent.
- Amortization periods are trending downward for most retirement systems when compared with their previous valuations.
- The Texas average assumed investment return rates have decreased to 7.01 percent, which is only two basis points higher than the national average of 6.99 percent.
- Most retirement systems' 10-year average investment returns are outperforming their assumed returns.

This session's *Guide* includes important updated information based on passage of recent legislation:

- Implementation of House Bill 3898 (87-R) – Last session, HB 3898 made changes to Funding Soundness Restoration Plans, Funding Policies, and Investment Practices & Performance Evaluation requirements. This *Guide* contains multiple flowcharts and other educational materials to assist with understanding the newly adopted legislation and PRB rules.
- Investment fees – This *Guide* includes the average percentage of investment fees paid by systems according to their latest annual financial reports. The PRB began collecting investment fee data after passage of SB 322 during the 86<sup>th</sup> Legislative Session in 2019 and plans to begin publishing more detailed fee data on the Public Pension Data Center soon.

The PRB would like to thank the retirement systems for their assistance in preparing this report. We look forward to working with interested parties during the 88th Legislative Session and hope that this report will serve as a helpful reference point for any pension bills considered during this session.

Sincerely,

Amy Cardona

Executive Director

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

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## TEXAS PENSION REVIEW BOARD

### ABOUT THE TEXAS PENSION REVIEW BOARD (PRB)

The Texas Pension Review Board was established in 1979 as an oversight agency for Texas public retirement systems. The PRB's service population consists of the members, trustees, and administrators of 347 public retirement plans; state and local government officials; and the general public.

The PRB monitors the financial and actuarial soundness of 100 actuarially funded defined benefit public retirement systems in Texas, as well as their compliance with state law. As of the most recent reports the PRB has on file, these retirement systems had approximately \$394 billion in total net assets and over three million members. The agency also tracks 247 defined contribution and pay-as-you-go volunteer firefighter systems across the state. These retirement systems are only required to register with the PRB and submit plan description information upon change.

#### Board Composition

The board is composed of seven governor-appointed members:

- three persons who have experience in the fields of securities investment, pension administration, or pension law and are not members or retirees of a public retirement system
- one active public retirement system member
- one retired public retirement system member
- one person who has experience in the field of governmental finance
- one member who is an actuary

#### Primary Duties

The PRB's duties are outlined in Chapter 801 of the Government Code:

- Conducting a continuing review of public retirement systems, including compiling and comparing information about benefits, creditable service, financing, and the administration of systems.
- Conducting intensive studies of potential or existing problems that threaten the actuarial soundness of public retirement systems.
- Providing educational services to the trustees and system administrators of Texas public retirement systems.
- Providing information and technical assistance on pension planning to public retirement systems on request.
- Recommending policies, practices, and legislation to public retirement systems and appropriate governmental entities.
- Preparing actuarial impact studies on proposed legislation.

The board can furnish other appropriate services such as actuarial studies or other requirements of systems and can establish appropriate fees for these activities and services.



# **2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**

## **TEXAS PENSION REVIEW BOARD**

### **Actuarial Impact Statements**

During legislative sessions, the agency is required to prepare and provide an actuarial impact statement that analyzes the economic or financial impact of a proposed pension bill on the retirement system affected by the bill. Changes to pension systems often create financial commitments that extend far into the future. By addressing the actuarial impact of certain proposed changes, the PRB provides the Legislature with information that assists in managing pension costs.

When a bill with a potential cost effect on a retirement system is scheduled for committee hearing, the PRB obtains an actuarial analysis of the legislation from the actuary who represents the retirement system impacted by the bill. The analysis is reviewed by the PRB's staff actuary, providing a second opinion on any costs associated with the bill. These two documents—the system's actuarial analysis and the PRB's actuarial review—are summarized in an actuarial impact statement prepared by staff and submitted to the Legislative Budget Board (LBB). The LBB publishes the final actuarial impact statement, which is attached to the bill in committee and stays with the bill throughout the legislative process. If a bill is subsequently amended or substituted so that its actuarial effect is changed, another impact statement is usually prepared.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### PRB Pension Funding Guidelines

Actuarial assumptions and methodologies are used to determine the proper funding policy for public pension plans. Actuaries consider plan participant demographics, benefit obligations, and economic forecast assumptions to calculate the periodic contributions necessary to ensure the long-term financial viability of pension plans; and to estimate the impact that potential plan changes will have on their financial position.

To lend transparency to retirement systems' actuarial processes and to establish minimum funding standards necessary to meet long-term obligations, the PRB created the *Guidelines for Actuarial Soundness* in 1984. Since the original adoption of the *Guidelines*, the PRB has reviewed and updated them as necessary. The latest update was adopted January 2017 and included changing the title to the [\*PRB Pension Funding Guidelines\*](#). The *Guidelines* are as follows:

The purpose of the Pension Review Board's Pension Funding Guidelines is to provide guidance to public retirement systems and their sponsoring governmental entities in meeting their long-term pension obligations. The Guidelines are intended to foster communication between plans and their sponsors as they determine a reasonable approach to responsible funding, whether the contribution rate is fixed or actuarially determined.

Public retirement systems should develop a funding policy, the primary objective of which is to fund the obligations over a time frame that ensures benefit security while balancing the additional, and sometimes competing, goals of intergenerational equity and a stable contribution rate.

1. The funding of a pension plan should reflect all plan obligations and assets.
2. The allocation of the normal cost portion of the contributions should be level or declining as a percentage of payroll over all generations of taxpayers and should be calculated under applicable actuarial standards.
3. Funding of the unfunded actuarial accrued liability should be level or declining as a percentage of payroll over the amortization period.
4. Actual contributions made to the plan should be sufficient to cover the normal cost and to amortize the unfunded actuarial accrued liability over as brief a period as possible, but not to exceed 30 years, with 10 - 25 years being the preferable target range.\* For plans that use multiple amortization layers, the weighted average of all amortization periods should not exceed 30 years.\* Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.
5. The choice of assumptions should be reasonable and should comply with applicable actuarial standards.
6. Retirement systems should monitor, review, and report the impact of actual plan experience on actuarial assumptions at least once every five years.

\*Plans with amortization periods that exceed 30 years as of 06/30/2017 should seek to reduce their amortization period to 30 years or less as soon as practicable, but not later than 06/30/2025.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### PRB Principles of Retirement Plan Design

At its August 2017 meeting, the PRB established the PRB Advisory Committee on Principles of Retirement Plan Design to develop a document to guide and inform public retirement systems and their sponsors on how to structure retirement plans. The PRB received comments and feedback on the draft *Principles of Retirement Plan Design* from plans, their actuaries, and the public. The committee incorporated changes into the document, agreed on a draft for recommendation to the full board, and the board adopted the *Principles* on June 14, 2018. The [Principles](#) are presented below:

The Pension Review Board (PRB) recognizes that offering a sustainable, secure retirement benefit is vital to achieving the objectives of multiple public-sector stakeholders including employers, employees, retirees, beneficiaries, and taxpayers, and that benefits should be protected through sound plan design and adequate funding. Therefore, the PRB intends for these Principles to guide and inform public retirement systems and their associated governmental entities on how to structure retirement plans.

Because:

- state and local government is a major employer in Texas;
- the state and its many political subdivisions—counties, cities, school districts, special districts, and others—rely on employees to deliver essential public services, including teaching at public schools; protecting public health and safety; planning, building, and maintaining transportation, utility and other infrastructure, parks and recreational facilities; protecting vulnerable individuals, including children, the elderly, and those with developmental disabilities; and protecting the state’s natural resources;
- employee compensation is a vital component in the ability of the state and its political subdivisions to attract qualified workers to perform public services and to keep those workers employed as long as they continue to add value to their employer and to the public;
- a retirement benefit is a critical element of employee compensation, serving as an important tool in the ability of employers to recruit and retain qualified and experienced employees; and
- the design and prudent financial management of the retirement benefit provided to public employees can significantly affect the ability of employers to attract and retain employees and maintain budgetary stability while providing essential public services;

## 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

### TEXAS PENSION REVIEW BOARD

The PRB supports the following Principles of Retirement Plan Design for public retirement systems in Texas:

1. Public employers should offer a retirement benefit, and participation in the employer-sponsored primary retirement plan should be mandatory.
2. Contributions to retirement plans should be consistent with the PRB *Pension Funding Guidelines*.
3. Employers and employees should share the cost of the benefit.
4. Retirement plan vesting should occur over a short period, preferably five years or less.
5. Benefits should be designed to place employees on the path to financial security in retirement in consideration of participation or nonparticipation in Social Security.
6. A primary retirement plan should require annuitization of a substantial portion of retirement benefits.
7. In the absence of an immediate and heavy financial need, a retirement benefit should be used only for retirement.
8. Retirement benefits should be protected against the erosion of the benefit's value due to inflation; such benefits should not exceed actual inflation and should be funded in accordance with the Pension Review Board's *Pension Funding Guidelines*.
9. Employers should provide death and disability benefits.
10. Employers are encouraged to offer plans that are supplemental to the primary retirement plan.
11. Retirement plan governance should represent the interests of all stakeholders, respect fiduciary standards, and be transparent and publicly accountable.
12. Retirement plan assets should be pooled and professionally invested according to prudent investor standards, giving careful consideration to cost.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### OVERVIEW OF TEXAS PUBLIC RETIREMENT SYSTEMS

There are 100 actuarially funded defined benefit public retirement systems registered with the PRB. The total membership of these systems is more than three million active and retired members, and the total net assets are approximately \$394 billion. The 100 systems include:

- 7 **statewide** systems including two voluntary “umbrella” cash balance plans for municipalities, counties, and special purpose districts
- 17 major **municipal** systems including 14 in state law and three in local ordinance
- 42 **local firefighter** systems organized under the Texas Local Firefighters Retirement Act
- 34 local systems administered by **special purpose districts** or as **supplemental** plans

The retirement systems report data to the PRB in annual financial reports, investment reports, membership reports, actuarial valuations, and other actuarial studies. The following graphs summarize some of the key indicators of financial health for Texas public pensions in the aggregate. The information displayed below, unless otherwise noted, is from the most recent reports reviewed as of December 2022.

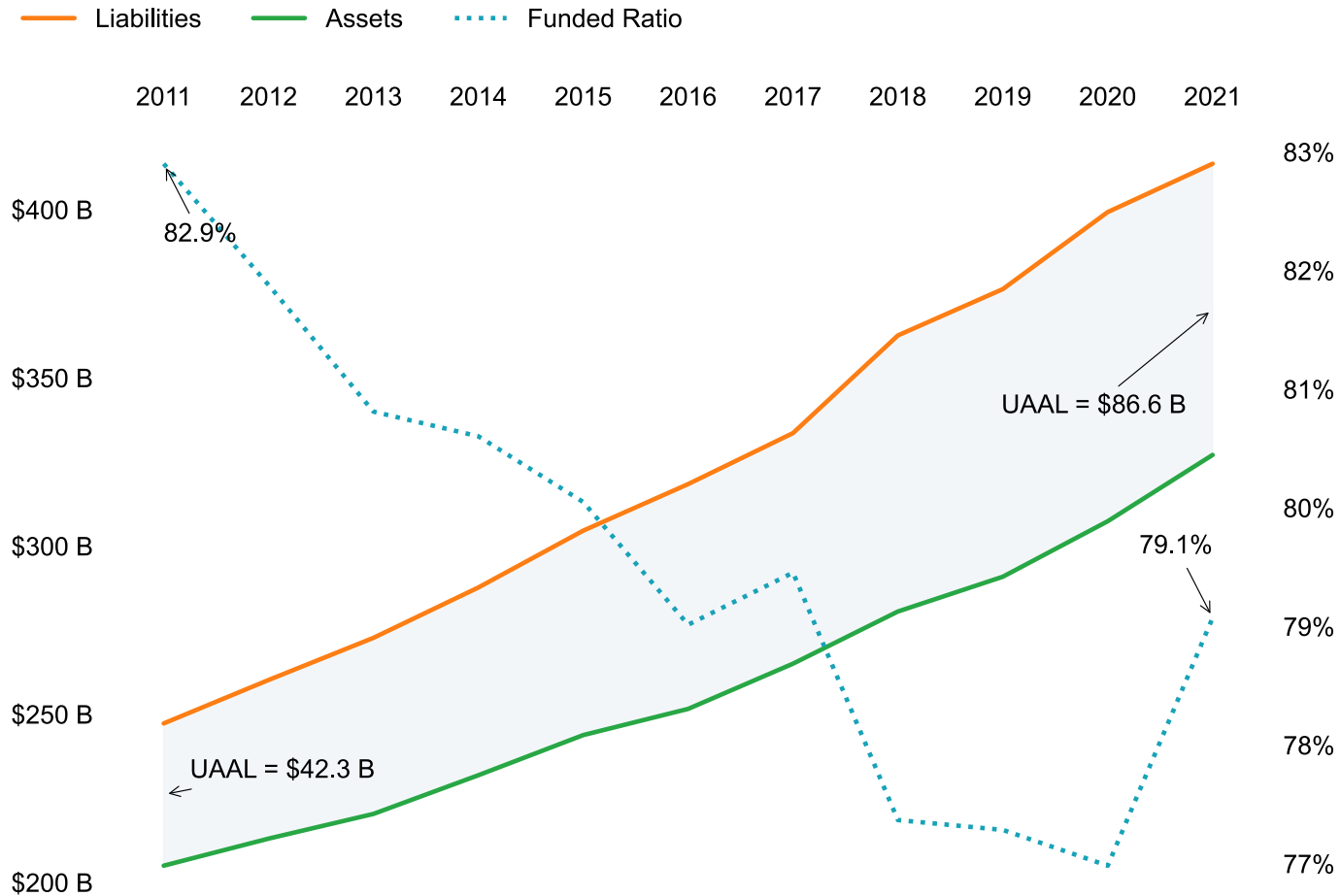
#### Actuarial

Since 2011, the overall unfunded actuarial accrued liability (UAAL), which is the difference between the actuarial value of assets (AVA) and accrued actuarial liability (AAL), has steadily increased from \$42.3 billion in 2011 to \$86.2 billion in 2021, which is the most current data reported to the PRB. The aggregate funded ratio, in turn, has decreased over time from 82.9 percent to 78.9 percent.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

TEXAS PENSION REVIEW BOARD

## Actuarial Asset-Liability and Funded Ratio Trends

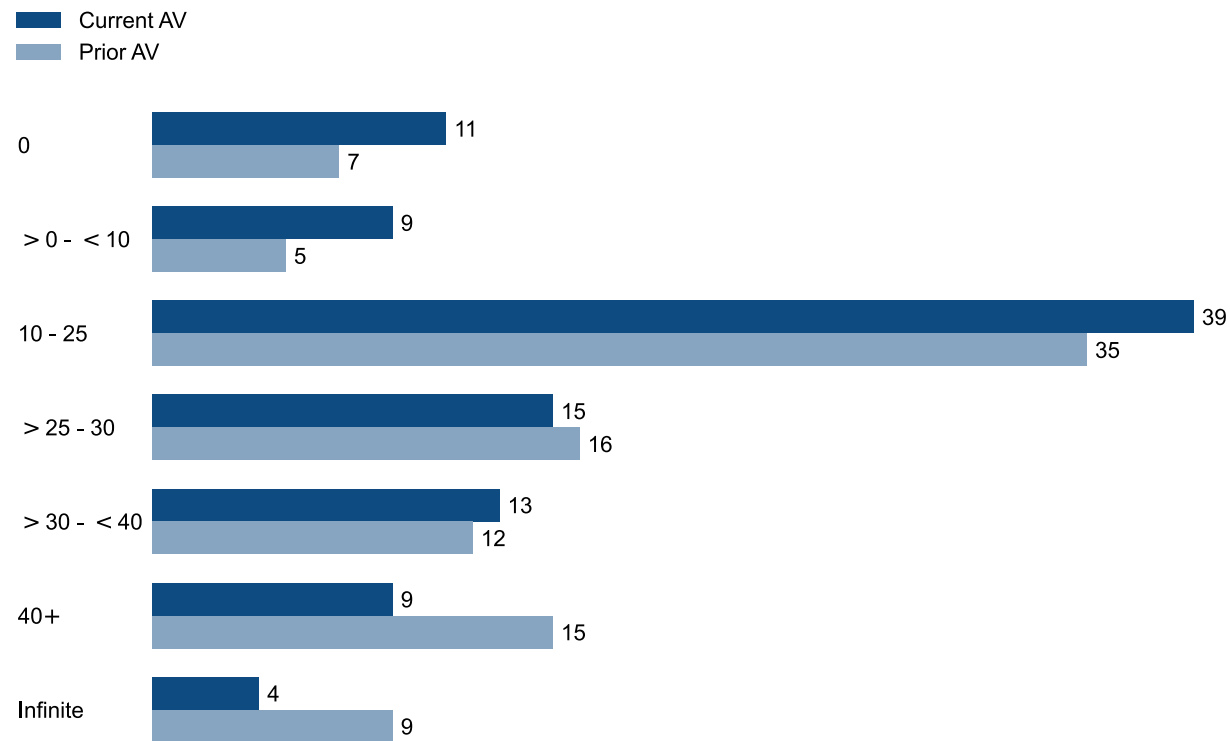


# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

A system's amortization period is the time it would theoretically take to fully fund any unfunded liability. Systems with surpluses are reported with an amortization period of zero years. The PRB [Pension Funding Guidelines](#) establish a maximum amortization period of not more than 30 years with a preferred target range of 10 to 25 years. The Funding Soundness Restoration Plan statute codifies this 30-year maximum period.<sup>1</sup> The graph below illustrates the amortization periods as reported in the two most recent actuarial valuations provided by each plan, broken down by number of plans falling into each range. More than half of the systems have current amortization periods less than or equal to 30 years.

### Amortization Periods



Amortization periods are reported in actuarial valuations conducted by Texas plans, as required by law.

<sup>1</sup> Texas Government Code §§ 802.2015 and 802.2016.

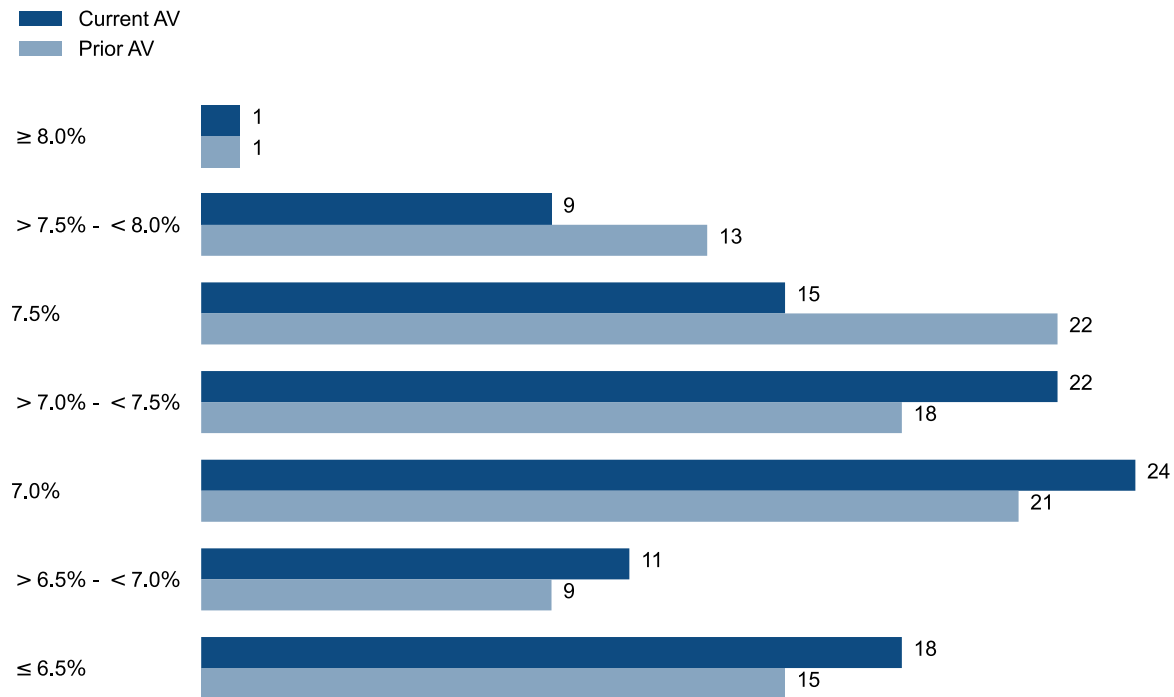
# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Investments

The investment return assumption is a key actuarial assumption which directly impacts a system's liability calculation and contribution requirement. A higher return assumption leads to a lower liability calculation and therefore lower contribution requirement and vice versa. In response to projected market conditions and actual plan experience, retirement systems have reduced return assumptions in recent years. The average return assumption for Texas systems is currently 7.02 percent, very close to the national average of 6.99 percent.<sup>2</sup>

### Investment Return Assumptions



Return assumptions are reported in actuarial valuations conducted by Texas plans according to law.

<sup>2</sup> National Association of State Retirement Administrators, *NASRA Issue Brief: Public Pension Plan Investment Return Assumptions*, Last Updated March 2022, <https://www.nasra.org/files/Issue%20Briefs/NASRAInvReturnAssumptBrief.pdf>

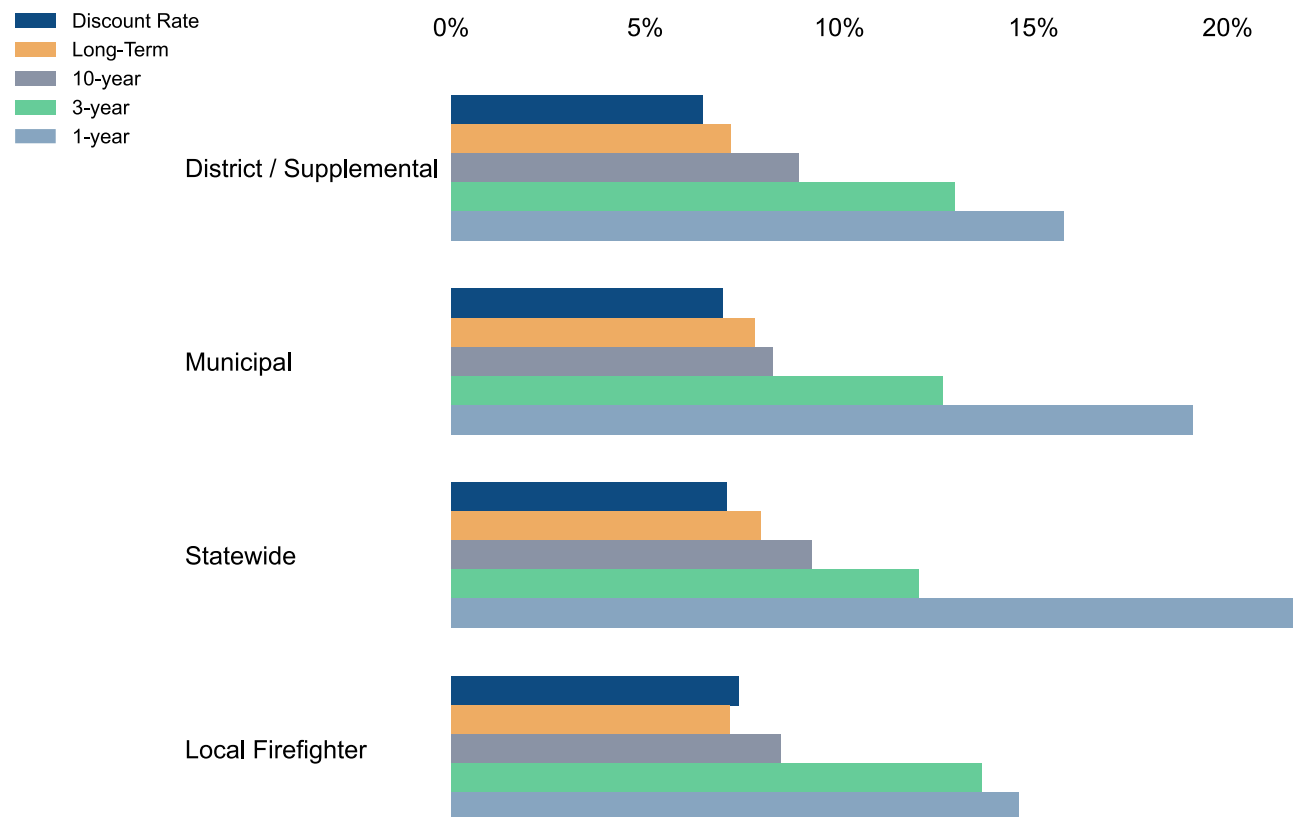


# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

Fiscal year 2021 returns generally exceeded assumed rates of return by a large margin. Both three-year and 10-year averages exceeded the average assumed rate of return for all plan classifications and most plans have a 10-year return above 8 percent. Market volatility is expected to result in plan investment returns that are greater or less than the assumed rate of return over short periods while longer-term averages are expected to be closer to the assumed rate of return.

### Average Actual Investment Returns



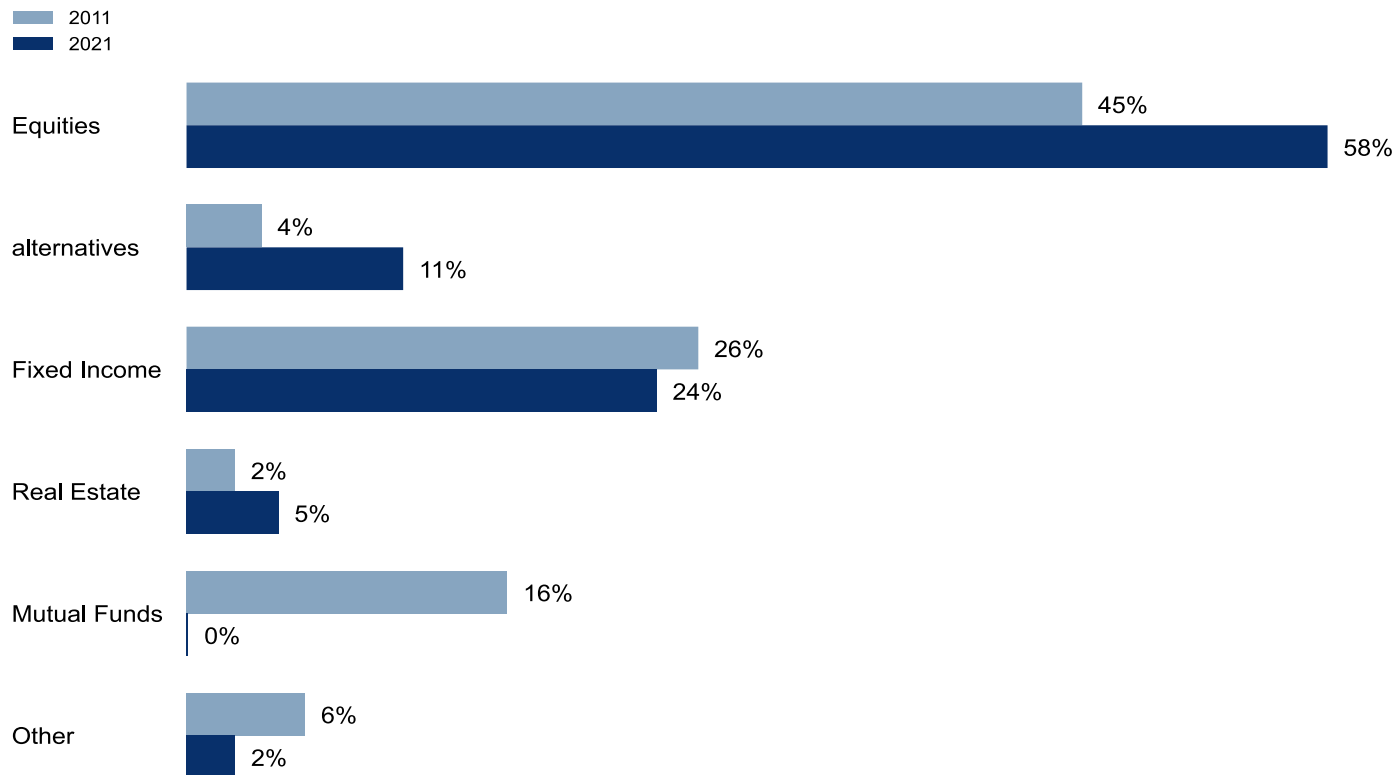
Long-term return is 30 years or longest term available. All figures are net of fees. Assumed returns obtained from most recent actuarial valuation reports.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

Systems' asset allocations changed between 2011 and 2021, most notably, in the growth of equity investments from 45 percent of total assets in 2011 to 58 percent in 2021. Alternative investments grew from 4 percent of total assets in 2011 to 11 percent in 2021. Alternative investments generally include hedge funds, private equity, commodities, foreign currency, venture capital, derivatives, and other instruments. Upon review, the PRB reclassifies mutual fund investments into more descriptive categories when the necessary information is available, but that information was limited in 2011 causing the large discrepancy. The allocations provided are an unweighted average of all Texas defined benefit plans.

### Average Asset Allocation 2011 v. 2021




Other includes capital assets, receivables, securities lending collateral, liabilities and cash. The allocations provided are an unweighted average of all Texas defined benefit plans. Figures are obtained from the annual financial reports and may differ from allocation targets in investment policy statements.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Texas Public Pension Data Center


Launched in January of 2019, the PRB's [Texas Public Pension Data Center](#) provides lawmakers, taxpayers, retirement systems, and other stakeholders with a user-friendly database of public pension information. The data center is divided into three sections: [plan data](#), [comparative data](#) and [all Texas data](#). The *View Plans* section is comprised of time series data displaying key actuarial and financial metrics over time. The *Compare Plans* section allows the user to analyze plan data in relevant peer groups, by asset size or plan type, for a given year. The *All Texas Plans* section illustrates key indicators of financial health for all Texas plans in the aggregate.



### View Plans

Select a pension plan to view current and historical data.


[VIEW DATA](#)



### Compare Plans

Select a peer group by plan type or asset size to view comparative data.

[VIEW DATA](#)



### All Texas Plans

View key indicators of financial health for all Texas plans in the aggregate.

[VIEW DATA](#)

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### FUNDING TEXAS PUBLIC PENSIONS

#### Introduction

Upon designing the benefits as well as determining the appropriate level of contributions, public retirement systems must take into account three fundamental, but sometimes competing, policy goals of providing benefit security, intergenerational equity for both taxpayers and employees, and a stable contribution from year to year. To help retirement system trustees and plan sponsors make these decisions, actuaries estimate the future benefit payments expected to be paid by making assumptions about how long current employees will work, how much they will earn, and ultimately, the distributions they will receive. The benefits are valued in today's dollars using an interest rate, generally equal to the plan's assumed investment rate of return and spread across a participant's period of service using an actuarial cost method.

The following sections will discuss how each of these items fits together and summarize certain aspects specific to Texas public retirement systems.

#### Pension Financing Basics

To understand the basics of actuarial methods of valuing pension plan liabilities, consider the fundamental equation of pension plan financing:

$$\text{Contributions (C) + Income (I) = Benefits (B) + Expenses (E)}$$

- The *inputs* to the pension fund are contributions and investment income, while *outputs* from the fund are benefits and expenses. **Therefore, over time, contributions and investment returns must equal benefits and expenses.**
- Generally, employers and employees **contribute** to a pension fund in regular intervals. The fund invests these contributions and earns a return on investment. Returns from investments (fixed income, equity, etc.) are considered **income**. Contributions and income combine to add to the fund over time.
- Retirement plans pay **benefits** to members who have met plan requirements. Retirement plans also pay **expenses** for maintaining the plan including administrative, investment fees, auditing costs, etc. Benefit payments and expenses combine to decrease the amount in the fund.

#### Calculating Pension Obligations

- Defined benefit plans require actuarial calculations to estimate the current value of future benefits based on many variables, such as

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

future salary and life expectancy. The value of future benefits is reported in an actuarial valuation report, which systems use to assess the funded status of the plan and determine an appropriate contribution level sufficient to fully fund future benefit obligations.

- To calculate the value in today's dollars or **present value of future benefits (PVFB)**, the benefit payments expected to be made are **discounted** from the expected payment date to the valuation date. The higher the rate at which future payments are discounted, the lower the present value of those future obligations and vice versa.
- Each expected future benefit payment is discounted to the valuation date using the discount rate and a portion of the benefits are spread over each participant's total expected service, both past and future. Each year, there are values for benefits attributed to past years, benefits attributed to the current year, and benefits attributed to future years. These are referred to as follows:
  - The current value of benefits attributed to past years is called the **actuarial accrued liability** or **AAL**.
  - The current value of benefits attributed to the present year is called the **normal cost** or **NC**.
  - The current value of benefits attributed to the present year and future years is called the **present value of future normal costs** or **PVFNC** (includes the normal cost as the first year).
  - Since the **AAL** includes all past service and the **PVFNC** includes all future service they sum to equal the **PVFB** ( $AAL + PVFNC = PVFB$ ).

### Actuarial Cost Methods

The methods for calculating AAL, i.e., attributing a portion of the expected benefits to a participant's individual years of service, are known as actuarial cost methods. As noted above, the PVFB takes into account all expected future service and future pay. Different methods may reflect some, or none, of the future pay or service in the AAL calculation. Currently, Texas retirement system actuaries use one of the following cost methods.

**Entry Age Normal (EAN)** – This methodology projects the benefit costs of each individual from entry age into the plan to assumed exit age from the plan. This benefit liability is allocated on a level basis over the earnings or service of the individual, thus reflecting a portion of both future pay and service in the AAL. Relative to other actuarial cost methods, entry age normal tends to produce more stable, predictable contribution rates. EAN is the most common cost method used by Texas public plans.

**Ultimate EAN** – This methodology may be used by plans that have different tiers of benefits based on hire date. Under Ultimate EAN, the future normal costs are calculated by assuming each plan participant is a member of the most recently added plan tier, while the PVFB is calculated using the member's actual benefit tier. The AAL is then calculated indirectly as PVFB minus PVFNC. Relative to EAN, Ultimate EAN tends to result in a higher AAL and lower PVFNC. (Note: alternate variations of this cost method exist but are not currently used by the Texas public retirement systems.)

## 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

### TEXAS PENSION REVIEW BOARD

The following table summarizes the cost methods used by 82 Texas public retirement systems with active employees accruing ongoing benefits.

Cost Method	Statewide	TLFFRA	Municipal	810
Entry Age Normal	100%	100%	82%	100%
Ultimate EAN	0%	0%	18%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Assets and Asset Smoothing

The **market value of assets (MVA)** is generally the value at which assets could be traded in the market. The **actuarial value of assets (AVA)** is the value of assets used for the actuarial valuation. **Asset smoothing** techniques are employed by actuaries to smooth the short-term effects of volatility in the MVA. Smoothing is a concept designed to recognize the long-term nature of pension obligations and attempt to reduce the volatility of assets, which can help keep contributions more stable and thus more predictable for the plan sponsor over time.

- Under smoothing, asset gains and losses are generally recognized over a period of years rather than immediately. The most frequent method of smoothing used by Texas public retirement systems is a five-year phase-in of actuarial gains and losses, where 20 percent of any gain or loss is recognized in each subsequent year. To say it a different way, 80 percent of the most recent year's gain or loss will be deferred, and 20 percent is recognized, 60 percent of the year immediately prior is deferred so 40 percent has been recognized, etc.
- To avoid significant deviation from the MVA, the smoothed value (AVA) may also be subject to a **corridor** around the market value, such as  $\pm 20$  percent of the MVA. Such a corridor places an upper limit on the amount of deferred gains and losses included in the AVA.

The following table summarizes Texas public retirement system plan cost methodology use.

Asset Smoothing Methodologies				
Smoothing Method	Statewide	TLFFRA	Municipal	810
5-Year Smoothing	86%	81%	94%	71%
Market Value (MVA)	0%	17%	6%	21%
3-Year Smoothing	0%	2%	0%	6%
4-Year Smoothing	0%	0%	0%	3%
10-Year Smoothing	14%	0%	0%	0%
<b>Total</b>				<b>100%</b>

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Unfunded Liabilities and Surplus

The system's assets are ultimately the accumulation of all contributions and income and therefore must be sufficient to cover all distributions (i.e., benefits and expenses). However, at any point in time, the assets (AVA) and current liabilities (AAL) are rarely exactly equal to one another. When the difference between the AAL and AVA is positive (i.e., the AAL > assets), the plan has an **unfunded actuarial accrued liability (UAAL)**. Thus, the UAAL is the amount that is still "owed" to the fund for past obligations. If the difference is negative (i.e., AAL < assets), the plan has a **surplus**.

### Contributions

Contributions usually come from two sources: the **employer** and the **employee**. Systems vary widely in contribution level and how that responsibility is shared between employer and employee. Usually, the benefit provided by the plan is a function of the employee's compensation; therefore, both the employer and employee contributions are typically expressed as a percentage of payroll.

How the total contribution rate is calculated for a given year can be classified into two broad categories, **actuarially determined** or **fixed rate** contributions. With an actuarially determined contribution, the amortization period is set, and the resulting necessary contribution is calculated. With a fixed rate contribution, the contribution rate is set, and the resulting amortization period is calculated.

#### Actuarially Determined Contribution (ADC)

- An ADC is defined as the cost of benefits earned by workers in the current year (the normal cost) plus an amortization payment to recognize prior gains and/or losses.
- The total contribution rate is **not** known in advance and is calculated by the system's actuary.
- To determine the total contribution rate, the actuary calculates **both** the normal cost rate and the amortization rate.
- The development of the amortization rate is based on the system's **amortization policy**.
- ADC contribution structures inherently adjust to the system's changing funded status to maintain the overall trajectory towards fully funding benefit promises.

#### Fixed Rate Contribution

- The total contribution rate is generally the **same from year to year** and is **known in advance**.
- The total fixed contribution rate can be prescribed by state statute, city ordinance or simply as the funding policy agreed upon by the system and its sponsoring governmental entity.

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- A fixed rate contribution is the most common approach used by Texas public retirement systems.
- In a fixed rate contribution plan, the total contribution rate is first applied to paying the normal cost (normal cost rate), and the remainder, if any, is used to amortize the UAAL (amortization rate).
- The actuary calculates the normal cost rate and determines the amortization rate by subtracting the year's normal cost from the total fixed contribution.
- The PRB recommends plans that contribute on a fixed-rate basis use an ADC benchmark to monitor whether the actual contributions are guiding the plan toward the stated funding objectives. More information concerning ADC Benchmarking can be found in the PRB's [\*Informal Guidance for Systems Developing a Funding Policy\*](#).

### Amortization Policy

- An **amortization method** is a procedure for determining the amount, timing, and pattern of recognition of a plan's gains and losses. In other words, it defines how the UAAL is funded, or a surplus is recognized.
- Amortization amounts can be **level dollar** amounts or determined as a **level percent of payroll**. Level dollar amounts are more likely to generate an expected decrease in the unfunded liability from one year to the next than amounts determined as a level percent of payroll.
  - **Level dollar amortization** is similar to a standard fixed-rate mortgage such that the annual payment towards the UAAL is assumed to be the same dollar amount every year. Level dollar amounts are preferable unless payroll is expected to decrease in the future.
  - Under the **level percent of payroll** calculation, the dollar amount of the annual payment towards the UAAL is assumed to increase at the rate of the expected payroll increase.
- The specified length of time over which a gain or loss is recognized is known as the **amortization period**.
  - **Closed amortization period:** Under a closed amortization period, the annual amortization payment towards the UAAL is calculated using a fixed schedule based on a specified starting and ending date. In other words, if the specified amortization period is set as 30, the annual amortization payment will be calculated using a 30-year period in the first year and will decrease by one year at each subsequent year's valuation (29, 28, etc. down to one, after which the plan would be fully funded). This is similar to a fixed period home mortgage with a known beginning and ending date (in this case, a 30-year mortgage).
  - One approach that helps minimize annual contribution volatility while maintaining a finite, closed funding period is the use of layered amortization, where a single closed-period amortization base is established for each year's realized experience. Another approach is to establish closed-period amortization bases with varying recognition periods dependent upon the cause of a gain or loss. For example, one approach might be to amortize investment or actuarial experience gains or losses over a 5-year period,



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gains or losses attributable to assumption changes over a 10-year period, and gains or losses attributable to plan amendments over a 25-year period.

- **Open amortization period:** Under an open amortization period, the annual amortization payment towards the UAAL is calculated using the same period from one year to the next. In other words, if the specified amortization period is set as 30, the ADC will be calculated at each valuation using a 30-year period. This is similar to refinancing a home mortgage every single year. In theory, if an open amortization period is always used, the UAAL will never be fully funded.

As outlined above, a given **amortization period** can indicate the expected time to pay off the entire UAAL, or only portion of the UAAL (e.g., when multiple gain/loss layers are used). In addition, different plans utilize different amortization methods and different contribution structures. To account for these differences, the PRB uses the **effective amortization period** to provide a comparison of plan health. The effective amortization period estimates the expected time it would take to pay off the existing UAAL based on current contributions and considering the plan's amortization policy, stated contribution rate structure and contribution history. If a plan is in a surplus position, the effective amortization period is reported as zero.

Effective Amortization Periods				
Amortization Period	Statewide	TLFFRA	Municipal	810
Infinite	29%	10%	0%	0%
>=40 years, but not infinite	0%	17%	12%	0%
> 30 years, <40 years	14%	24%	12%	0%
> 25 years, <=30 years	0%	24%	35%	0%
>= 10 years, <=25 years	57%	17%	41%	59%
> 0 years, < 10 years	0%	7%	0%	15%
0 years	0%	2%	0%	26%
<b>Total<sup>3</sup></b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

**Negative Amortization** occurs when contributions are insufficient to cover the cost of benefits accrued and the interest accrued on the unfunded liability during the year. In general, this occurs when a plan's effective amortization period exceeds 20-25 years. Systems should be careful in their use of negative amortization. If a system's contribution and amortization policy results in negative amortization, the funding policy should outline the expected period over which negative amortization will occur and provide justification for the use of negative amortization.

<sup>3</sup> Individual amounts may not sum to 100 percent due to rounding.

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### Funding Policies

A funding policy is a written statement of guiding principles and strategy to fully fund the long-term costs of promised benefits. The policy is intended to be used as a retirement system's road map to fully fund its long-term obligations.

While different retirement systems and their governmental sponsors may prioritize the policy goals of benefit security, contribution stability, and intergenerational equity differently, the each of their funding policies should strive to balance these three primary pension funding goals so that member benefits are secure; employers and employees are afforded some level of contribution predictability from year to year; and liabilities are managed so that future taxpayers are not burdened with costs associated with a previous generation's service. The components of a funding policy are briefly outlined below, for more detail regarding the development of a funding policy, please see the PRB's [Guidance for Systems Developing a Funding Policy](#).

A funding policy should include the following components:

#### 1. Establishing Clear and Concrete Funding Objectives

A funding policy should clearly establish the retirement system's funding objectives. Per Texas Government Code [§802.2011](#), **the funding policy must target a funded ratio of 100 percent or greater**. The PRB recommends that systems adopt a funding policy that fully funds the plan **over as brief a period as possible**, with **10 –25 years** being the preferable range, using a finite, or **closed, funding period**.

#### 2. Selecting Actuarial Methods

An important role of a funding policy is to set boundaries on what is allowable for actuarial calculations. At a minimum, the three actuarial methods that should be addressed are the actuarial cost method, the asset-smoothing method, and the amortization policy. A funding policy should state the desired goals and purpose of the cost method if it does not specify the exact cost method to be used; the amount of return subject to smoothing (i.e., how much is deferred), the time period of the deferral, and if the smoothed value is subject to a corridor; and the amortization policy to be used.

#### 3. Developing a Roadmap to Achieve Funding Objectives

A funding policy should provide a clear plan detailing how the system's funding goals will be met. This should include outlining the contribution rate structure and elements designed to impede deviation from progress toward funding goals, such as the use of ADC benchmarking for fixed-rate plans and establishing parameters under which future benefit increases and contribution reductions can be considered.

#### 4. Adopting Actions to Address Actual Experience That Diverges from Assumptions

A funding policy should develop predetermined steps for how a plan should respond to both positive and negative experiences that differ from the plan's assumptions. The following methods can be used to manage funding risk:

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- **Risk-Sharing:** Outlining how gains and losses will be distributed between the employer and plan participants prevents benefit reductions or cost increases being imposed after the plan's condition has deteriorated, rather than proactively, in advance, and in a manner transparent to members and stakeholders.
- **Contributions:** Automatic changes to employee and/or employer contributions can be subject to restrictions such as smoothing annual increases or decreases to prevent large annual swings or establishing minimum and maximum contributions rates outside of which other changes must be considered, such as benefit reductions (when contributions increase beyond the maximum) or using more conservative assumptions or benefit increases (when contributions drop below the minimum).
- **Benefits:** A funding policy may also establish when benefit adjustments will occur and include provisions that specify how both positive and negative experience will be addressed. Plans may allow for increased benefits or an increased COLA as a result of a positive deviation, but plans will need to ensure they are able to consistently meet the new funding demands of the changes.

### Actuarial Assumptions

Pension funding requires assumptions to be made about future events. These assumptions are called actuarial assumptions, which along with current plan participant data and the benefit formula, are used to project future benefit obligations.

The system's board adopts or approves the actuarial assumptions with guidance from the actuary. The actuary is required to follow the [Actuarial Standards of Practice](#) when selecting assumptions and has a professional responsibility to recommend and use reasonable assumptions.

Actuarial assumptions can be split into two broad categories: economic and demographic.

- Economic assumptions include items such as discount rate, assumed investment return, salary increases and inflation.
- Demographic assumptions include rates of retirement, turnover, disability, mortality, and other factors.

### Discount Rate and Investment Return Assumptions

The discount rate is the assumption that typically has the largest single impact on the determination of the AAL and PVFB. Discounting a deferred payment with a higher discount rate will produce a lower present value, due to the higher expected interest to be added to a hypothetical fund for the payment. Conversely, if the discount rate is lower, the expected interest costs will be lower, and the present value will be higher. Currently, all Texas public retirement systems use the assumed long-term investment rate of return on their plan assets as the discount rate. If the actual returns do not meet or exceed the assumed returns, then the actuarially determined recommended contributions would not be adequate to ensure system sustainability in the long-term. A summary of the return assumptions for Texas public retirement systems is included in the *Investment Return Assumptions* table.

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Investment Return Assumptions				
Return Assumption	Statewide	TLFFRA	Municipal	810
>=8%	0%	2%	0%	0%
> 7.50%, < 8.00%	0%	14%	12%	3%
7.50%	29%	33%	0%	0%
> 7.00%, < 7.50%	14%	26%	35%	12%
7.00%	43%	21%	35%	15%
> 6.50%, < 7.00%	14%	2%	6%	24%
<= 6.50%	0%	0%	12%	47%

### Inflation Assumption

Inflation is the rate at which price levels are rising, and purchasing power is falling. The assumed rate of inflation is included as a component of the assumptions for rate of return and the plan participant salary increases. Some retirement systems tie cost-of-living adjustment (COLA) benefit increases to inflation. A summary of assumed rates of inflation for Texas public retirement systems is presented in the following table.

Inflation Rate Assumptions				
Inflation Assumption	Statewide	TLFFRA	Municipal	810
Under 2.25%	0%	2%	0%	6%
2.25%-2.49%	57%	2%	12%	21%
2.50%	29%	33%	65%	26%
2.75%	0%	31%	18%	15%
2.76-2.99%	14%	26%	6%	3%
3.75%	0%	2%	0%	87%
N/A	0%	2%	0%	29%

### Payroll Growth Assumption

A payroll growth assumption is used for plans whose amortization method is calculated as a level percent of pay. Because a level percentage of payroll amortization payment is expected to increase at the payroll growth assumption, a higher payroll growth assumption lowers the required contribution (and defers plan funding). The *Current Payroll Growth Assumptions* table shows the percentage of Texas public retirement systems with active employees accruing ongoing benefits that use various payroll growth assumptions.

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Current Payroll Growth Assumptions				
Payroll Growth Assumption	Statewide	TLFFRA	Municipal	810
N/A	14%	2%	12%	53%
2.50% & Under	14%	5%	29%	0%
2.51% - 2.75%	43%	24%	29%	18%
2.76% - 3.00%	29%	34%	24%	0%
3.01% - 3.25%	0%	10%	0%	12%
3.26% - 3.50%	0%	7%	6%	12%
3.51% - 3.75%	0%	5%	0%	0%
3.76% - 4.00%	0%	10%	0%	6%
4.01% - 4.25%	0%	0%	0%	0%
4.26% - 4.50%	0%	2%	0%	0%

## Description of Actuarial Terms

### Actuarial Cost Methods

To determine the actuarial accrued liability (AAL) and the normal cost (NC), actuaries can use different cost methods. An actuarial cost method is a way to allocate pieces of a participant's total expected benefit to each year of their working career. In other words, it is a technique to determine how much of the present value of future benefits (PVFB) to assign to past service (AAL) vs. future service (present value of future normal costs, or PVFNC). Actuarial cost methods differ in the way the AAL and the NC are calculated and therefore how the total PVFB is allocated.

### Actuarial Accrued Liability

The current value of benefits attributed to past years.

### Actuarial Value of Assets (AVA)

The actuarial value of assets (AVA) is the value of assets used for the actuarial valuation. The AVA can be either the market value (MVA) or a smoothed value of assets. Asset smoothing techniques are employed by actuaries to smooth the short-term effects of volatility in the MVA. Smoothing is a concept designed to recognize the long-term nature of pension obligations and attempt to reduce the volatility of assets, which

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can help keep contributions more stable and thus more predictable for the plan sponsor over time. The AVA is used to calculate the unfunded actuarial accrued liability (UAAL).

### Actuarially Determined Contribution (ADC)

An actuarially determined contribution is defined as the cost of benefits earned by workers in the current year (the normal cost) plus an amortization payment to recognize prior gains and/or losses. ADC contribution structures inherently adjust to the plan's changing funded status to maintain the overall trajectory towards fully funding benefit promises. GASB No. 67 defines ADC as the target or recommended contribution to a defined benefit plan for the reporting period, determined in conformity with Actuarial Standards of Practice (ASOPs). [Section 802.101\(a\)](#) of the Texas Government Code requires that a system's actuarial valuation include a recommended contribution rate for the system to achieve and maintain an amortization period that does not exceed 30 years.

### Amortization Method

How the amortization payment is structured:

**Level Dollar** – like a standard fixed-rate mortgage such that the annual payment towards the UAAL is assumed to be the same dollar amount every year.

**Level Percentage** – the payments are a level percentage of payroll, and the dollar amount of the payment is assumed to increase at the rate of the expected payroll increase.

**Open** – the annual amortization payment towards the UAAL is calculated using the same period from one year to the next. In other words, if the specified amortization period is set as 30, the ADC will be calculated at each valuation using a 30-year period. This is like refinancing a home mortgage every single year.

**Closed** – the annual amortization payment towards the UAAL is calculated using a fixed schedule based on a specified starting and ending date. In other words, if the specified amortization period is set as 30, the ADC will be calculated using a 30-year period in the first year and decrease by one year at each subsequent year's valuation (29, 28, etc. down to 1, after which the plan would be fully funded). This is like a fixed period home mortgage with a known beginning and ending date (in this case, a 30-year mortgage).

### Amortization Payment

The portion of the total contribution used to reduce the unfunded actuarial accrued liability.

### Amortization Period

The specified length of time used when calculating the amortization payment portion of an actuarially determined contribution, or as the time it would theoretically take to fully fund the UAAL or fully recognize a surplus.

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### Asset Valuation Method

The method used to smooth the Actuarial Value of Assets.

### Assumed Rate of Return

The assumed long-term rate of return on plan assets. The assumed rate of return is the most common interest rate used as the discount rate by Texas public retirement systems for funding calculations.

### Benefit Security

The likelihood sufficient assets will be available to pay all benefits when they come due.

### Covered Payroll

The amount of payroll of employees that are provided with pensions through the pension plan.

### Deferred Retirement Option Plan (DROP)

An additional benefit that participants may receive from their retirement plan. Under a DROP arrangement, the participant is treated as retired on a date prior to the date they actually separate service. Under a Forward DROP, the participant may elect to “retire” but continue working for the sponsoring organization. The participant’s monthly annuity is placed in a designated account until the member ceases to work or for a specified amount of time as allowed by the retirement system. When the member separates service, the account balance becomes available and is paid in accordance with plan terms. Under a Retro DROP, the participant is given the option to calculate their benefit as if they had retired on a date earlier than their actual separation of service. Benefit payments that would have been paid had they actually separated service on that date are accumulated and paid in accordance with the plan terms.

### Discount Rate

The discount rate is the interest rate used to calculate the value of future payments as of the valuation date. This assumption typically has the largest single impact on the determination of the AAL and PVFB. Discounting a deferred payment with a higher (lower) discount rate will produce a lower (higher) present value, due to the higher (lower) expected interest to be added to a hypothetical fund for the payment. The assumed rate of return is the most common interest rate used as the discount rate by Texas public retirement systems for funding calculations.

### Fiduciary Net Position (FNP)

The market value of assets as of the fiscal year-end, as reported in the system's Annual Financial Report.

### Funded Ratio

The ratio of assets to accrued liability:  $\text{Assets} / \text{AAL} = \text{Funded Ratio}$ . Funded ratios are reported based on the actuarial value of assets (AVA or smoothed value) and market value of assets (MVA). Generally, the closer the funded ratio is to 100 percent, the more secure the current accrued

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benefits. However, if a plan is currently underfunded, the attempt to achieve a funded ratio of 100 percent will impact the other policy goals, intergenerational equity, and the desire for a stable contribution from one year to another. [Section 802.2011](#) of the Texas Government Code requires all plans adopt a written funding policy detailing the governing body's plan for achieving full funding.

#### Inflation

The rate at which price levels are rising, and purchasing power is falling. Inflation is a component of both the assumed Investment Rate of Return and the assumed rate of employee pay increases.

#### Intergenerational Equity

Seeks to have each generation of taxpayers incur the cost of benefits for the employees who provide services to those taxpayers, rather than deferring those costs to future taxpayers.

#### Negative Amortization

The increase in the unfunded actuarial accrued liability because the amortization payment is not sufficient or large enough to cover the interest that accrues on the unfunded liability.

#### Normal Cost (NC)

Computed differently under different funding methods, the normal cost generally represents the current value of benefits attributed to the present year. The employer normal cost equals the total normal cost of the plan reduced by employee contributions.

#### Present Value of Future Benefits (PVFB)

The current value of all benefits expected to be paid to current participants.

#### Present Value of Future Normal Costs (PVFNC)

The current value of benefits attributed to the present year and all future years (includes the normal cost as the first year).

#### Unfunded Actuarial Accrued Liability (UAAL)

The difference between the actuarial accrued liability and the actuarial value of assets; therefore, the UAAL is the amount that is still owed to the fund for past obligations.



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### Pension Obligation Bonds

Senate Bill 1696, enacted in 2003, added Chapter 107 to Subtitle A, Title 4 of the Local Government Code, allowing municipalities to issue bonds, certificates, notes or book-entry obligations to fund all or any part of a municipal pension plan's unfunded liability. The law requires that prior to issuance the municipality must enter into a written agreement with the governing body possessing fiduciary responsibility over pension fund assets.

Net proceeds of obligation issuance shall be credited to the public pension fund and become part of the fund's assets. Obligations may be made payable from the municipality's general fund, from the fund from which compensation for employees and officers is paid, or from taxes, revenues, or any other money source that state law permits to be used to secure or pay any bond or obligation. Obligations may be sold at public or private sale and must mature no later than 30 years from the issuance date.

The chart in Appendix A includes information on all outstanding pension obligation bonds held by Texas governmental entities, which include: Arlington, Bryan, Dallas, El Paso, Gainsville Hospital District, Grand Prairie, Houston, Irving, and Longview. The chart provides the par amount outstanding, the closing and maturity dates, principal outstanding, interest outstanding, and true interest cost.

### Bond

Debt instrument through which an investor loans money to the issuer that specifies: when the loan is due (*term*, or *maturity*, such as 20 years); the interest rate the borrower will pay (such as 5 percent); when the payments will be made (such as monthly, semi-annually, annually); and the revenue source pledge to make the payments.

### General Obligation Debt

Debt legally secured by a constitutional pledge of the first monies coming into the State Treasury not otherwise constitutionally dedicated for another purpose. General obligation debt must be approved by a 2/3 vote of both houses of the Texas Legislature and by a majority of the voters.

### Maturity Date

The date principal is due and payable to the security holder.

### Municipal Bond

A debt security issued to finance projects for a state, municipality, or county. Municipal securities are exempt from federal taxes and from most state and local taxes.

### Par

The face value of a security that is due at maturity. A "par bond" is a bond selling at its face value.

### Refunding Bond

Bonds issued to retire or defease all or a portion of outstanding bonds.

A list of pension obligation bonds issued and outstanding as of August 31, 2022, can be found in [Appendix A](#).

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### Funding Soundness Restoration Plans

The Funding Soundness Restoration Plan (FSRP) was introduced by the 84<sup>th</sup> Legislature via the enactment of House Bill 3310 and is contained in Sections [802.2015](#) and [802.2016](#) of the Texas Government Code. The sections were amended in the 87<sup>th</sup> Legislative Session via the enactment of House Bill 3898 and further clarified through rules laid out in [Chapter 610](#) of the Texas Administrative Code.

#### Applicability

The statutes state that a public retirement system is required to notify its associated governmental entity if it receives an actuarial valuation indicating the system's actual contributions are insufficient to achieve an amortization period below the specified threshold. Should the system exceed one of several thresholds, the public retirement system and its associated governmental entity are required to formulate an FSRP.

The current conditions to trigger an FSRP is if a system's funding period is greater than 30 years for three consecutive valuations or two consecutive valuations if actuarial valuations are not annual.

After September 1, 2025, the current trigger will continue, and two additional immediate triggers will take effect:

- Funding period is greater than 40 years for one valuation.
- Funding period is greater than 30 years AND funded ratio is less than 65 percent.

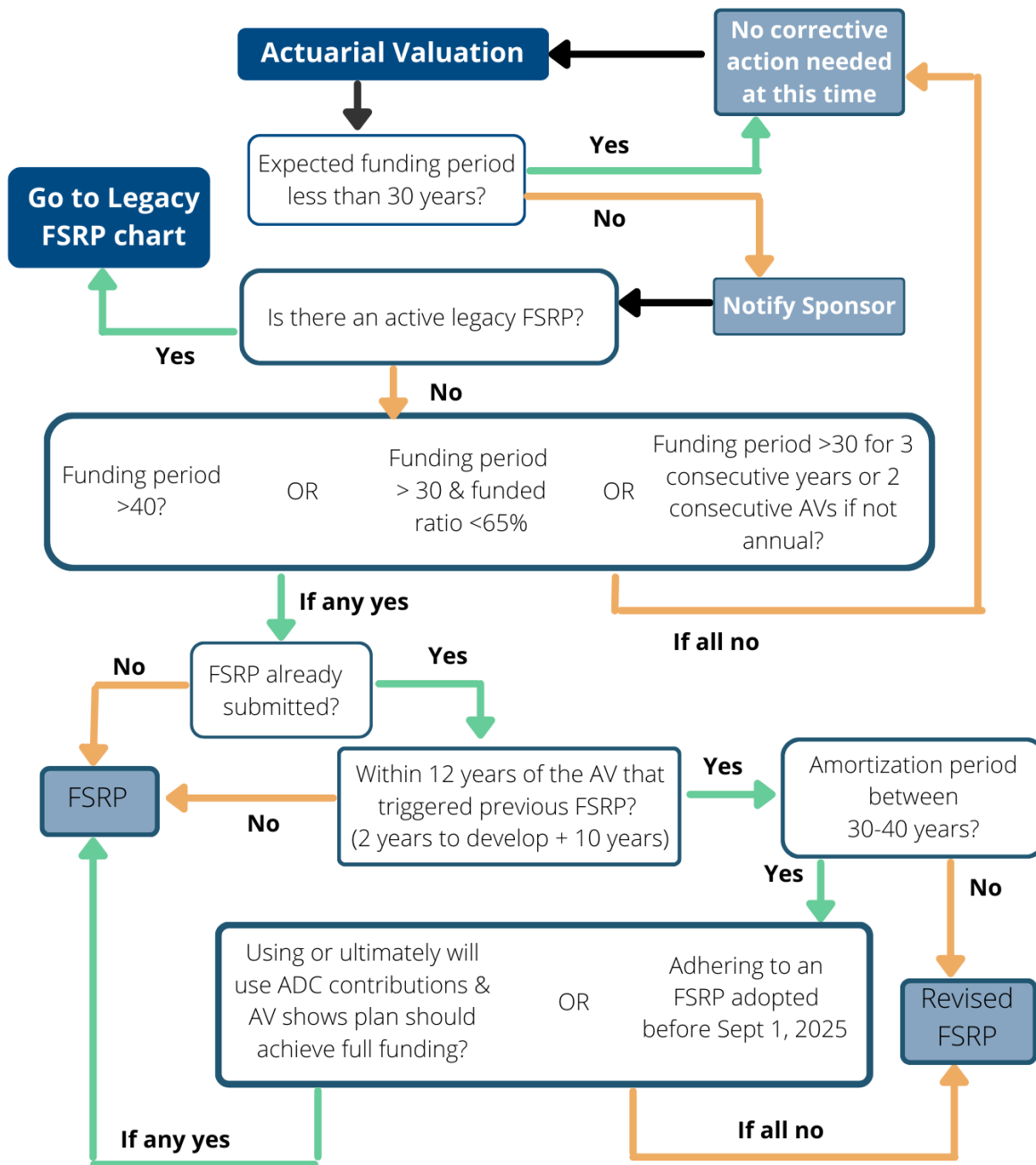
The FSRP requirement varies for certain systems. Some systems that had active FSRPs when the law changed were able to continue following their legacy FSRPs under the previous law. Systems who prepare an FSRP but trigger the requirement again within 10 years must prepare a more stringent Revised FSRP, and systems may choose to prepare a Voluntary FSRP before they trigger the FSRP requirement to proactively make a plan to improve funding.

Additional detail regarding plans that have been, currently are, or are at-risk of becoming subject to the FSRP requirement is available in the PRB's most recent *Funding Soundness Restoration Plan Report* available on the [Funding Soundness Restoration Plan \(FSRP\)](#) page of the PRB website.

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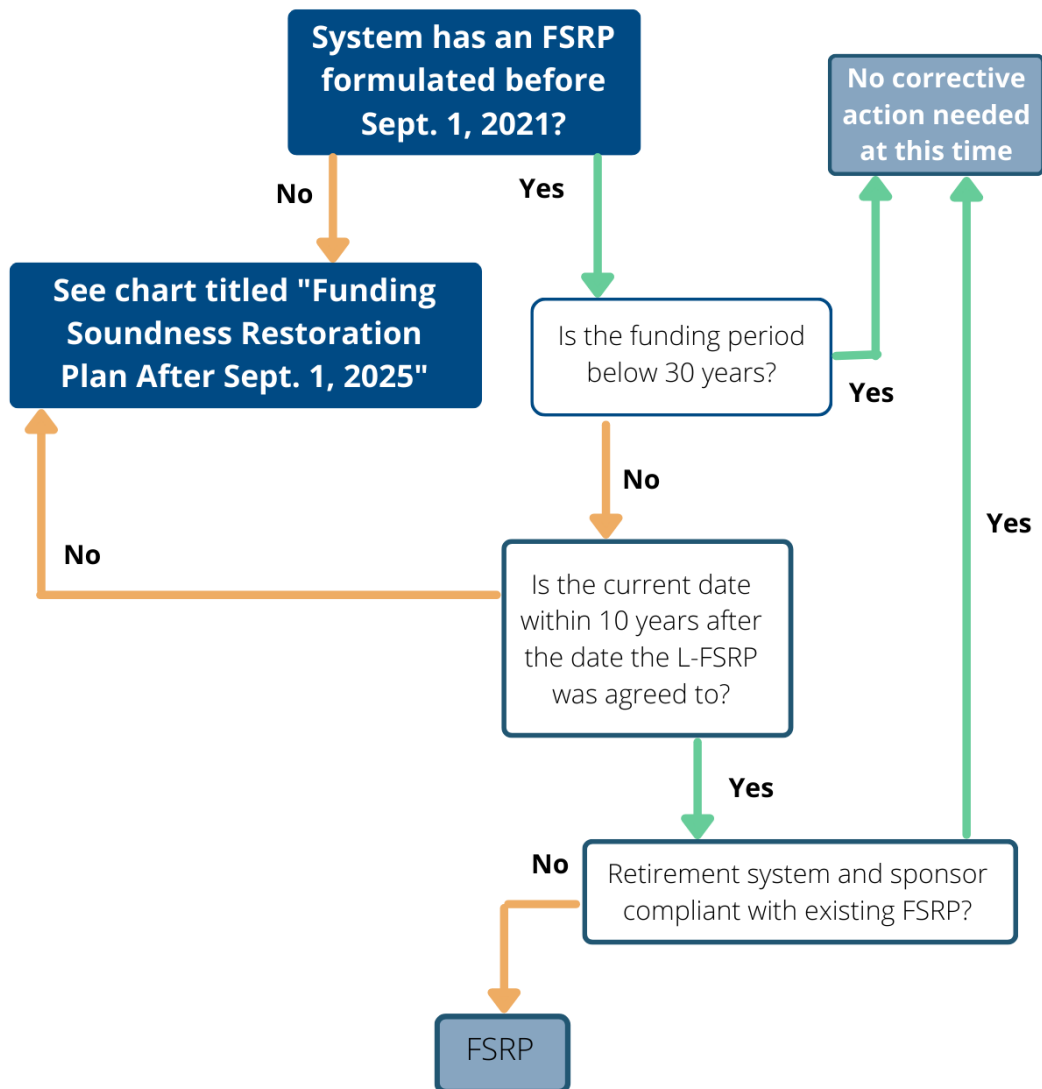
The following diagram illustrates the process for determining the need for developing or revising an FSRP after September 1, 2025.



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The following diagram illustrates the process for determining the need for developing or revising an FSRP for legacy FSRP systems.



If a retirement system with an Legacy FSRP is not compliant with the L-FSRP, the retirement system and sponsor shall prepare an FSRP under requirements as they stand after Sept. 1, 2021, instead of a revised FSRP under previous statute.

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The following diagram illustrates the various types of FSRPs that may apply across different circumstances.

	Legacy FSRP (old law)	Voluntary FSRP	FSRP before 9-1-2025	FSRP after 9-1-2025	Revised FSRP
Target Funding Period	≤40 years	≤30 years			≤25 years
Latest Date to Formulate	8-31-2021	N/A	8-31-2025	N/A	N/A
Time allowed to reach target	10 years	Until adoption of V-FSRP	Until 9-1-2025 or 2 years	2 years	
Progress Updates	After adoption, every 2 years	N/A	within 1 year of triggering valuation and every 6 months until adoption		
Valuation that starts the clock	Determined under previous law	Selected by System/Sponsor	Triggering valuation		Triggering valuation within 10 years of previous FSRP
Must include auto-risk sharing	N/A				Yes
Effects of Compliance	Remains under previous law until L-FSRP target date or funding period is <30 years	Recognized for revision exemption if submitted by 8-31-2025; update funding policy		FSRP/R-FSRP process completed	
Compliance Corridor	Applies until L-FSRP complete; Funding period when >40 years; Funded ratio optional	Both funding period and funded ratio corridors apply if submitted by 8-31-2025 and funding period between 30 and 40 years; Applies for 10 years		N/A	

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### TEXAS STATUTORY REPORTING REQUIREMENTS

To be considered compliant with annual requirements under Chapter 802 of the Texas Government Code, systems are required to submit an annual financial report, membership report, and the investment returns and assumptions report (form PRB-1000). These reports are due within 210 days after the end of the previous fiscal year.

The [\*Summary of Reporting Requirements for Texas Public Retirement Systems\*](#) is a reference document created to assist plans with specifics in reporting requirements for each report, as well as a schedule for reporting due dates based on plan fiscal year end dates. This document contains summaries of the statute as well as additional links to resources for systems to aide in the completion of their requirements for the reports shown below.

Systems Required	Report	How often
All	<ul style="list-style-type: none"> <li>Annual Financial Report (audited)</li> <li>Investment Returns and Assumptions Report (PRB-1000)</li> <li>Membership report</li> <li>MET form to report training (PRB-2000)</li> </ul>	Annually
All	<ul style="list-style-type: none"> <li>Actuarial Valuation</li> </ul>	Every three years
Systems with assets over <b>\$100 million</b>	<ul style="list-style-type: none"> <li>Investment Practices and Performance Evaluation</li> </ul>	Every three years
Systems with assets over <b>\$100 million</b>	<ul style="list-style-type: none"> <li>Actuarial Experience Study</li> <li>Actuarial Audit</li> </ul>	Every five years
Systems with assets over <b>\$30 million</b>	<ul style="list-style-type: none"> <li>Investment Practices and Performance Evaluation</li> </ul>	Every six years
All	<ul style="list-style-type: none"> <li>Funding Policy</li> <li>Investment Policy</li> <li>Summary Plan Description</li> <li>Registration/board information (Form PRB-150)</li> </ul>	Upon change
All non-statewide systems	<ul style="list-style-type: none"> <li>Funding soundness restoration plan</li> </ul>	If necessary

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## TEXAS PENSION REVIEW BOARD

In 2021, the 86<sup>th</sup> Legislature added an investment expense reporting requirement under [Texas Government Code Sections 802.103\(a\)\(3\) and \(4\)](#), expanding requirements for annual financial reports and promoting investment transparency. The agency has prioritized educating and assisting systems with the new reporting requirements since the changes were enacted, such as providing a reporting template and adopting rules to outline reporting needs.

Systems receive reminders and enforcement notices on the 1<sup>st</sup> and 15<sup>th</sup> of applicable months. If the 1<sup>st</sup> and 15<sup>th</sup> fall on a state holiday or weekend, then they are sent on the following business day. The noncompliance date is the day on which the PRB is required to include the system's name on the list of noncompliant public retirement systems posted on the PRB website. Per the agency's noncompliance policy and state statute, systems are subject to a notice of noncompliance after 60 days from the reporting deadline for one or more of the required reports. A list of systems that have been noncompliant for 60 or more days are placed on the agency's website under the [60-day noncompliant list](#).

### Exemptions

Plans exempt from reporting to the Pension Review Board include volunteer firefighter retirement systems organized under the Texas Local Fire Fighter's Retirement Act (TLFFRA) and defined contribution plans, which are only subject to the registration, summary plan description, and internet posting requirements of the Government Code. These systems are exempt from all the other reporting requirements. See Texas Government Code [§802.002 \(c\) & \(d\)](#).

Plans exempt from registering and reporting to the Pension Review Board include plans offering only worker's compensation; plans administered by the federal government; Individual Retirement Accounts (IRA); plans claiming 401(d), 403(b), or 457(b) tax status under the Internal Revenue Code; and plans administered by life insurance companies. See Texas Government Code [§802.001](#).

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Investment Practices and Performance Evaluations (IPPE)

During the 86th Legislative Session, the Texas Legislature enacted Senate Bill 322, which focused on public retirement system investment transparency. The bill added [Section 802.109](#), Texas Government Code, which requires systems with assets of at least \$30 million to “select an independent firm with substantial experience in evaluating institutional investment practices and performance to evaluate the appropriateness, adequacy, and effectiveness of the retirement system’s investment practices and performance and to make recommendations for improving the retirement system’s investment policies, procedures, and practices.”

#### Requirements

A public retirement system with at least \$30 million must conduct a comprehensive and thorough evaluation of its investment practices and performance. The first evaluations were due to the PRB in 2020.

#### **A thorough evaluation would include the following elements:**

- 1) Identify and review existing investment policies, procedures, and practices. This should include any formally established policies (e.g. Investment Policy Statement) as well any informal procedures and practices used to carry out the investment activities of the system. It is not necessary to review past policies, procedures, and practices that are no longer applicable unless they are deemed helpful to understand current policy or practice.
- 2) Compare the existing policies and procedures to industry best practices.
- 3) Generally, assess whether the board, internal staff, and external consultants are adhering to the established policies.
- 4) Identify the strengths and weaknesses of the current policies, procedures, and practices and make recommendations for improvement.
- 5) Include a detailed description of the criteria considered and methodology used to perform the evaluation, including an explanation of any metrics used and associated calculations.

**Subsequent evaluations** are required depending on the assets of the public retirement systems. Systems with at least \$100 million in assets must evaluate their systems every three years with the report due to the PRB the year after the evaluation. The remaining systems with at least \$30 million but less than \$100 million must evaluate their systems every six years with the report due to the PRB the year after the evaluation. Systems with at least \$100 million will be providing subsequent evaluations to the PRB from 2023 to June 1, 2024.



## **2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**

### **TEXAS PENSION REVIEW BOARD**

During the 87th Legislative Session, the Texas Legislature improved upon the statute by passing House Bill 3898, which was based on the PRB's recommendations in its *2020 Investment Performance Report*.

HB 3898 made the following changes to the IPPE requirement:

- For IPPEs completed after September 1, 2021, the bill added new disclosure requirements, including:
  1. Statement that independent firm meets experience requirement.
  2. Statement identifying any conflict of interest and relationship with the system.
  3. Explanation of a firm's determination regarding whether to include a recommendation or not on each evaluated matter.
- Added formal review-and-comment process as a required element to the evaluations.
- Specified the plan sponsor may pay all or part of the cost to prepare the evaluation, while the system is responsible for the remainder of the cost.
- Clarified that systems may continue to use current investment consultants to prepare IPPEs.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Investment Expenses

The 86th Legislature enacted Senate Bill 322, which focused on public retirement system investment transparency. The bill included a section expanding the reporting requirements in [Section 802.103](#) of the Texas Government Code, which requires systems to publish annual financial reports.

### Requirements

Public retirement systems must now report in their annual financial audits information that includes the following:

1. A listing, by asset class, of all direct and indirect commissions and fees paid by the retirement system during the system's previous fiscal year for the sale, purchase or management of system assets, and
2. The names of investment managers engaged by the retirement system.

### Compliance and Analysis

Fiscal year 2021 was the first year all retirement systems were required to report investment expense information, and the PRB assisted many systems that had questions about or challenges with the new reporting requirements. The 2021 fiscal year average investment fee expense for Texas retirement systems, not including any service fees, was 0.61 percent. PRB staff is reviewing the data received for any outliers or discrepancies and is working to add investment expense data to its database. Ultimately, the PRB will make the data publicly available on the Texas Public Pension Data Center.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### TEXAS PENSION BENEFIT DESIGN

In general, actuarially funded defined benefit plans offer participants a specified monthly benefit at retirement that is paid for the life of the retiree or beneficiary. The level of benefits an employee will receive at retirement is usually derived from a formula based on years of service, salary, and a multiplier factor. The costs of benefit changes, including multiplier increases and granting of COLAs, should be appropriately valued prior to adoption to ensure that additional costs will be funded adequately and consistently.

The following sections summarize the major benefit provisions provided by Texas public retirement systems. The specific details for a particular plan can be found on its [respective data center page](#). Some systems have multiple tiers covering different employee groups within their respective systems. Those groups are generally based on employee type (e.g., firefighter, police, or general employee) or date of hire.

#### Retirement Eligibility

Employees must attain a certain combination of age and years of credited service (YCS) in the retirement plan to become eligible for full retirement benefits. Alternatively, some plans use the “Rule of X” method, where an employee becomes eligible for retirement when their age plus years of service equal “X.” For Texas plans, the minimum age for retirement eligibility ranges from 45 to 65, and the YCS requirements range from 5 to 40. Plans using the “Rule of X” method have requirements for the value of X ranging from 70 to 85. Frequently, these approaches are used together. For example, a plan may state full retirement eligibility is the earlier of age 60 with five years of service or Rule of 80 (allowing a 55-year-old with 25 years of service to retire with full retirement benefits).

#### Vesting

Vesting is the conveyance of a legal, non-forfeitable right to a deferred pension. Pension plans grant vesting upon completion of a specified service requirement. Vesting may occur gradually according to a schedule, or it may occur all at once (i.e., “cliff vesting”). Full vesting for plans in Texas is granted anywhere from immediately upon entry to 20 years of service, with the longer periods more likely to be seen in public safety plans.

#### Final Average Salary

Calculations for final average salary vary from plan to plan. In most cases, the final average salary is calculated based on a three, four, or five-year average of an employee’s salary. Some plans use the employee’s highest earning years to calculate this average, regardless of when they occurred, while others require the use of a consecutive period which generally results in using the employee’s final years before retirement.

#### Benefit Formula

A majority of actuarially funded retirement plans use a formula to calculate retirement benefits. This formula typically takes into account an employee’s years of credited service (YCS), final average salary, and a pre-established benefit multiplier:

## 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

### TEXAS PENSION REVIEW BOARD

#### **YCS x Benefit Multiplier x Final Average Salary = Annual Retirement Annuity**

The benefit multiplier determines the percentage of final average salary an employee will earn as a retirement annuity for each year of service. For Texas actuarially funded plans using the above benefit formula, the benefit multiplier currently ranges from 0.70 percent to 3.95 percent.

Some plans use a variation of the above formula that incorporates an average YCS into the benefit multiplier, instead of calculating based on the employee's individual YCS. This formula variation is expressed as:

#### **Benefit Multiplier x Final Average Salary = Annual Retirement Annuity**

For Texas plans using this formula variation, the benefit multiplier currently ranges from 45 percent to 80 percent.

Other plans do not use a standard formula, and instead award benefits based on a cash balance approach or a set dollar amount.

#### **Cost of Living Adjustments**

Cost-of-living adjustments (COLAs) can be automatic or ad hoc. Ad hoc COLAs require a governing body's approval before they are granted, whereas automatic COLAs do not need any action and are given annually.

Plans offering an automatic COLA typically base their COLA on either a set percentage or on the change in the Consumer Price Index (CPI). A majority of Texas plans do not offer an automatic COLA but reserve the right to grant an ad hoc COLA if certain conditions are met. Some plans provide a contingent COLA prompted by a target investment return or amortization period rather than an annual or ad hoc COLA.

A COLA can be simple or compounded. Simple COLAs are calculated as a percent of the original benefit; compounded COLAs are calculated based on the current benefit (i.e., the original benefit plus any prior benefit increases, including prior year COLAs.)

In Texas, 16 actuarially funded systems currently offer an automatic COLA as part of the benefits package for current hires; 22 actuarially funded systems currently offer an automatic COLA for at least one of their benefit tiers.

#### **Deferred Retirement Option Plans**

Some plans offer members a Deferred Retirement Option Plan (DROP). DROPs are additional, optional benefits that members may elect to participate in upon reaching eligibility. The primary feature of a DROP is that participants are treated as retired from the plan on a date prior to the date they actually separate service.

In forward DROPs — known as Forward, Basic, or DROP — a member reaching retirement eligibility chooses to continue working and enter the DROP. The member's monthly retirement benefit is placed in a designated account until the member ceases to work for the system sponsor, at

## **2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**

### **TEXAS PENSION REVIEW BOARD**

which time the account balance is paid in accordance with the terms of the plan. The decision to enter a Forward DROP is made at the time the participant enters and is usually not reversible once made.

In lieu of, or in addition to, a Forward DROP, several plans offer a variation called a Retro DROP – also known as Back or Reverse DROP. A Retro DROP allows an employee who has continued to work past their retirement eligibility date to retroactively retire and receive credit for the benefits they would have been paid had they retired earlier. The decision to receive a Retro DROP is not made until the participant separates service and is therefore much like an optional benefit form allowing a participant to take a partial lump sum payment of their full benefit in exchange for receiving a reduced annuity payment. Retro DROPs differ from other optional benefit forms because they are not necessarily designed to be actuarial equivalent.

DROP provisions can vary significantly from plan to plan for both Forward and Retro variations. Some offer interest credits on the account balance which might be a guaranteed rate or could vary based on actual fund returns, while some do not offer any interest credit. Some Texas public retirement systems do not have a time limit on Forward DROP participation, while many systems limit participation in a Forward DROP anywhere from two to 13 years and a Retro DROP from two to seven years. A few DROPs offer a COLA. Participant contributions paid during the DROP participation period may be credited to their DROP account balance or credited to the fund.

A few plans also offer a DROP program specifically for retirees. A Post Retirement Option Plan (PROP) may allow retirees the option to deposit all, or a portion of, their monthly annuity or other taxable benefits issued by the system, to their PROP account. If they were a member of the DROP program, this may include their existing DROP account balance.

A Partial Lump Sum Option Plan (PLOP) allows the retiree to opt to receive a portion of their retirement benefit as an immediate payout. Ten actuarially funded Texas public retirement systems offer a PLOP for at least one of their tiers.

A large DROP balance can be a significant risk to the plan, if it grows to represent a significant portion of the asset balance. For example, if an event causes a large percentage of the members with a DROP account to withdraw their balance, the fund may not have the necessary assets on hand to cover them and would need to liquidate a portion of its assets to pay out benefits. A table showing the value of DROP balances as a percentage of assets can be found in Appendix B.

# **2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**

## **TEXAS PENSION REVIEW BOARD**

### **Social Security Participation**

Governmental entities historically had the option to opt-out of Social Security participation if they maintained a retirement plan for employees that met certain minimum benefit requirements. In Texas, members in 52 of the actuarially funded public retirement systems do not participate in Social Security.

### **Trends**

In recent years, many actuarially funded plans in Texas have enacted modifications to their benefit structures. These changes have been made to strengthen plan funding, and to respond to the demands of a changing workforce. Any change made by a plan should be adequately valued prior to adoption. Some modifications made by Texas plans include:

- Creating new tiers for new hires with lower benefit multipliers.
- Increasing retirement eligibility ages.
- Increasing both employer and employee contributions.
- Eliminating or modifying COLAs.
- Eliminating or modifying DROPs.
- Including more years in the final average salary calculation, thereby reducing the possibility that benefits will be calculated only based on a few abnormally high-salary years preceding retirement.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### TEXAS PLAN GOVERNANCE

#### Texas Constitution

Numerous statutes and laws govern state and local retirement systems in Texas, including the State Constitution. [Article 16, Section 67\(b\)](#) of the Texas Constitution, directs the Legislature to establish both the Teacher Retirement System of Texas (TRS) and the Employees Retirement System of Texas (ERS). It establishes the minimum and maximum state contribution rates to both TRS and ERS at six percent and ten percent. In an emergency, as determined by the governor, the Legislature may appropriate additional sums as actuarially determined.

The Constitution also directs the Legislature to provide for two statewide retirement systems for officers and employees of cities and counties. Article 16, Section 67(c)(1)(B), establishes a statewide retirement system for officers and employees of counties and other political subdivisions that choose to voluntarily participate, known as Texas County and District Retirement System (TCDRS). Article 16, Section 67(c)(1)(C), establishes a statewide retirement system for officers and employees of cities that choose to voluntarily participate (Texas Municipal Retirement System (TMRS)). Article 16, Section 67(d), establishes a retirement system for justices, judges, and commissioners of the appellate courts as well as judges of the district and criminal district courts, which is administered by the Board of Trustees of ERS (Judicial Retirement System (JRS)).

The board of trustees of a public retirement system is the fiduciary of the system's trust fund. Fiduciary duty is defined in Article 16, Section 67(a)(3), as exercising the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in management of their own affairs, not in regard to the permanent disposition of their funds, considering the probable income there from as well as the probable safety of their capital.

Article 16, Section 67(c) of the Constitution has two key subsections which provide for the creation of local retirement systems, as well as outline basic fiduciary and governance principles:

- Article 16, Section 67(c)(1)(A), states that the Legislature shall provide by law for the creation by any city or county of a system that benefits for its officers and employees.
- Article 16, Section 67(f), directs the boards of trustees of retirement systems not belonging to a statewide system to hold the assets in trust for the exclusive purpose of providing benefits to the members, defraying reasonable expenses of administering the system, and to adopt sound actuarial assumptions.

#### Texas Government Code

Title 8 of the Texas Government Code applies to public retirement systems. [Subtitle A of Title 8](#), Chapters 802 through 810, contain provisions generally applicable to public retirement systems. Statewide retirement systems' governing statutes are contained in Subtitle B through Subtitle H of Title 8. Those subtitles cover the general provisions, membership, creditable service, benefits, and administration of the statewide retirement systems.

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## TEXAS PENSION REVIEW BOARD

### Local Retirement Systems

There are 17 municipal retirement systems including 14 retirement systems enabled by state statute and three other retirement systems created by city ordinances or city charters. The following are local retirement systems with their own provisions of [Article 6243, Vernon's Civil Statutes](#) (also known as Title 109):

- City of Austin Employees' Retirement System
- Austin Fire Fighters Relief & Retirement Fund
- Austin Police Retirement System
- Dallas Police & Fire Pension System – Combined
- Dallas Police & Fire Pension System – Supplemental
- El Paso Firemen's Pension Fund
- El Paso Policemen's Pension Fund
- Fort Worth Employees' Retirement Fund
- Fort Worth Employees' Retirement Fund Staff Plan
- Galveston Employees' Retirement Plan for Police
- Houston Firefighters' Relief & Retirement Fund
- Houston Municipal Employees Pension System
- Houston Police Officers Pension System
- San Antonio Fire & Police Pension Fund

The three municipal retirement systems created by city ordinances or city charters are: Dallas Employees' Retirement Fund, City of El Paso Employees Retirement Trust, and Galveston Employees' Retirement Fund.

In addition to these systems, the Texas Local Fire Fighters Retirement Act (TLFFRA), [Article 6243\(e\) of Vernon's Civil Statutes](#), is the governing statute of paid/part-paid, and volunteer fire systems across the state.

Several local retirement systems were created without the specific legislative authority required by the Constitution. Two Attorney General opinions (JM-1068 and JM-1142) determined these local retirement systems were invalid. To resolve this situation, the 72<sup>nd</sup> Legislature adopted [Chapter 810](#) of the Government Code to authorize all those systems that had been established prior to the Attorney General opinions as well as to provide for subsequent local retirement systems established by local jurisdictions.

Local retirement systems established in Title 109 have their contribution rates, benefit levels, and the composition of their board of trustees set in statute. Certain systems may have authority to make changes locally, either through meet and confer provisions in their statute, or through other procedures outlined in their enabling statute. Local retirement systems established under TLFFRA have the authority to determine member contribution rates, benefit levels, and other plan provisions locally through procedures outlined in TLFFRA; however, the composition of TLFFRA boards of trustees is set in statute. Sponsoring municipalities of TLFFRA systems must meet a statutory minimum contribution rate but may adopt by ordinance a higher contribution rate than set in statute. Local retirement systems established under Chapter 810 of the Government Code have the authority to determine plan provisions locally.



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## TEXAS PENSION REVIEW BOARD

Local retirement systems, except for certain deferred compensation plans, are also subject to Chapter 802 of the Government Code. Subchapter C of Chapter 802 covers the administration of the systems' assets and provides for the following key fiduciary guidelines.<sup>4</sup>

- The assets held in trust are for the benefit of the members and retirees of the system and their beneficiaries.
- In making and supervising investments, an investment manager or the governing body of the system shall fulfill its duties solely in the interest of the participants and beneficiaries; and with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity would use.

### Texas Constitution, Article XVI, Section 66

In 2003, the Texas Constitution was amended to include [Section 66 of Article 16](#), "Protected Benefits under Certain Public Retirement Systems." This section applies only to certain local public retirement systems and does not cover health or life insurance benefits. The key provisions of this section of the Constitution are:

- Local retirement systems covered by this section may not reduce or otherwise impair benefits accrued by a person if the person could have terminated employment or had terminated employment and would have been eligible for those benefits without accumulating additional service under the retirement system.
- Benefits granted to a retiree or other annuitant may not be reduced or otherwise impaired.
- The political subdivision(s) and the retirement system that finance benefits under the retirement systems are jointly responsible for ensuring that benefits under the section are not reduced or impaired and the section does not create a liability or an obligation to a retirement system for a member of the retirement system other than the payment by active members of a required contribution.
- Subsection (b) specifically exempts the San Antonio Fire and Police Pension Fund from the provisions of this section.

Additionally, the section allowed for a one-time opt-out election in May 2004 for any retirement system and the political subdivision that finances benefits under the retirement system. The following cities opted out of the section: Denison, Galveston, Houston, Marshall, McAllen, Paris, Port Arthur, and Sweetwater.

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<sup>4</sup> Local retirement systems created under TLFRA are exempt from Subchapter C of Chapter 802 of the Government Code, except sections 802.2011, 802.2015, 802.202, 802.205 and 802.207. Section 27(b) of TLFRA provides for similar prudent care language for TLFRA systems.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Vernon's Texas Revised Civil Statutes and Government Code

State Laws Governing Statewide Retirement Systems		
System or Issue Governed	Article/Section No.	
Employees Retirement System of Texas	Title 8, Gov. Code, Subtitle B: Ch. 811-815	
Teacher Retirement System of Texas	Title 8, Gov. Code, Subtitle C: Ch. 821-825	
Judicial Retirement System of Texas, Plan Two	Title 8, Gov. Code, Subtitle E: Ch. 836-840	
Texas County and District Retirement System	Title 8, Gov. Code, Subtitle F: Ch. 841-845	
Texas Municipal Retirement System	Title 8, Gov. Code, Subtitle G: Ch. 851-855	
Texas Emergency Services Retirement System	Title 8, Gov. Code, Subtitle H: Ch. 861-865	
State Laws Governing Municipal, Fire Fighter and Police Officer Retirement Systems		
System or Issue Governed	Article/Section No.	Population Bracket
Dallas Police & Fire Pension System	V.T.C.S. 6243a-1	>1,180,000
El Paso Firemen & Policemen’s Pension Fund	6243b	600,000-700,000
Texas Local Fire Fighters Retirement Act (TLFFRA)	6243e	Various
Austin Fire Fighters’ Relief & Retirement Fund	6243e.1	750,000-850,000
Houston Firefighters’ Relief & Retirement Fund	6243e.2(1)	1,600,000
Houston Police Officers’ Pension System	6243g-4	>2,000,000
Houston Municipal Employees Pension System	6243h	>1,500,000
Fort Worth Employees’ Retirement Fund	6243i	>500,000
Austin Employees’ Retirement System	6243n	760,000-860,000
Austin Police Retirement System	6243n-1	750,00-850,000
San Antonio Fire & Police Pension Fund	6243o	1,300,000-1,500,000
Galveston Employees’ Pension Plan for Police	6243p	50,000-400,000
Political Entities, including Municipalities & Other Special Purpose Districts	Title 8, Gov. Code §810	

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**TEXAS PENSION REVIEW BOARD**

**SUMMARY OF PUBLIC RETIREMENT SYSTEMS IN TEXAS**

**2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**  
**TEXAS PENSION REVIEW BOARD**

## Statewide Systems

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Employees Retirement System of Texas (ERS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
8/31/2022	\$45,862.49	\$31,615.92	\$14,246.57	68.94%	7.00%	32	133,751	122,720	9.50%	10.00%

<sup>1</sup> Employer contribution represents state contribution at 9.50 percent and state agency contribution at 0.50 percent. The state will also contribute a \$510 million legacy contribution, projected through 2054.

In November 1946, voters approved an amendment to the Texas Constitution to create a retirement fund for state employees. ERS was officially established by the Legislature in 1947. ERS is responsible for overseeing retirement benefits for elected state officials and state employees. Other programs administered by ERS include the Texas Employees Group Benefits Program (GBP), TexFlex and TexaSaver. In addition, ERS acts as the administrative and investment body for the Law Enforcement and Custodial Officers Supplemental Retirement Fund and the Judicial Retirement System, Plans I and II. All revisions in funding, benefits, membership eligibility, and creditable service under ERS require legislative action.

**Governing Statute**  
Texas Constitution  
Article XVI, Section 67  
[Government Code](#)  
[Title 8, Subtitle B](#)  
[Chapters 811-815](#)

**Executive Director**  
Porter Wilson  
PO Box 13207  
Austin, Texas 78711  
(877) 275-4377  
[ers.texas.gov](http://ers.texas.gov)

#### Employees Retirement System of Texas Board of Trustees

Name	Position	Term Expires
James Kee, Chair	Appointed by Speaker	8/31/2026
Brian Barth, Vice-Chair	Elected Member	8/31/2025
Neika Clark	Elected Member	8/31/2027
Craig Hester	Appointed by Chief Justice	8/31/2028
Catherine Melvin	Elected Member	8/31/2023
John R. Rutherford	Appointed by Governor	8/31/2024

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Judicial Retirement System of Texas Plan Two (JRS II)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
8/31/2022	\$642.31	\$553.37	\$88.94	86.15%	7.00%	Infinite	583	536	9.50%	15.66%

<sup>1</sup>Member contributions may cease after 20 years or Rule of 70 with 12 years' service on Appellate Court. The current average member contribution rate is 9.38 percent.

JRS II is a retirement plan for state judges and justices who took office after August 31, 1985. This plan is administered by ERS. All revisions in funding, benefits, membership eligibility, and creditable service under JRS II require legislative action.

Governing Statute	Executive Director	Employees Retirement System of Texas Board of Trustees		
Texas Constitution Article XVI, Section 67 <a href="#">Government Code</a> <a href="#">Title 8, Subtitle E</a> <a href="#">Chapters 836-840</a>	Porter Wilson PO Box 13207 Austin, Texas 78711 (877) 275-4377  <a href="http://ers.texas.gov">ers.texas.gov</a>	Name	Position	Term Expires
		James Kee, Chair	Appointed by Speaker	8/31/2026
		Brian Barth, Vice-Chair	Elected Member	8/31/2025
		Neika Clark	Elected Member	8/31/2027
		Craig Hester	Appointed by Chief Justice	8/31/2028
		Catherine Melvin	Elected Member	8/31/2023
		John R. Rutherford	Appointed by Governor	8/31/2024

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
8/31/2022	\$1,729.35	\$1,014.06	\$715.29	58.64%	7.00%	Infinite	31,075	15,923	0.50%	0.50%

<sup>1</sup>Employer contribution represents state contribution at 0.50 percent but the fund also receives court fee contributions equivalent to 0.78 percent of payroll. Rates are in addition to rates paid for ERS.

LECOSRF was created by the Texas Legislature in 1979. It is a supplemental plan of and administered by ERS. Membership is limited to law enforcement officers who have been commissioned by the Department of Public Safety, Texas Alcoholic Beverage Commission, Parks and Wildlife Department, and those members whose commissions are recognized by the Commission on Law Enforcement Officer Standards and Education. Membership is also provided to custodial officers employed by the Texas Department of Criminal Justice and certified by the department as having direct contact with inmates. The supplemental benefits are available to any employee who completes 20 years of service in an eligible position. All revisions in funding, benefits, membership eligibility, and creditable service under LECOSRF require legislative action.

Governing Statute	Executive Director	Employees Retirement System of Texas Board of Trustees		
Texas Constitution Article XVI, Section 67 <a href="#">Government Code</a> <a href="#">Title 8, Subtitle B</a> <a href="#">Chapters 811-815</a>	Porter Wilson PO Box 13207 Austin, Texas 78711 (877) 275-4377  <a href="http://ers.texas.gov">ers.texas.gov</a>	Name	Position	Term Expires
		James Kee, Chair	Appointed by Speaker	8/31/2026
		Brian Barth, Vice-Chair	Elected Member	8/31/2025
		Neika Clark	Elected Member	8/31/2027
		Craig Hester	Appointed by Chief Justice	8/31/2028
		Catherine Melvin	Elected Member	8/31/2023
		John R. Rutherford	Appointed by Governor	8/31/2024

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Teacher Retirement System of Texas (TRS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
8/31/2022	\$245,560.97	\$193,908.59	\$51,652.38	79.00%	7.00%	26	928,418	475,952	8.00%	9.19%

<sup>1</sup>Contributions were 8.00 percent for State/Employers, and public education employers contribute an additional 1.80 percent of the minimum salary schedule. These combined contributions are expected to be 9.12 percent with an additional 0.07 percent from contributions on behalf of retired members who have returned to work. This leads to a total employer contribution rate of 9.19 percent.

In November 1936, voters approved an amendment to the Texas Constitution to create a statewide teacher retirement system. TRS was officially established by the Legislature in 1937. TRS is the largest public retirement system in Texas, in both membership and assets. The system provides benefits to public school teachers, other public-school employees, and higher education personnel who are not eligible for the Optional Retirement Program (ORP), or who choose not to belong to ORP. Revisions regarding benefits, contributions, and post-retirement adjustments require legislative action.

**Governing Statute**  
Texas Constitution  
Article XVI, Section 67  
[Government Code Title 8, Subtitle C Chapters 821-825](#)

**Executive Director**  
Brian K. Guthrie  
1000 Red River Street  
Austin, Texas 78701  
(512) 542-6400  
[www.trs.texas.gov](http://www.trs.texas.gov)

#### Teacher Retirement System of Texas Board of Trustees

Name	Position	Term Expires
Jarvis V. Hollingsworth, Chair	Appointed by Governor	8/31/2023
Nanette Sissney, Vice-Chair	At-Large Position	8/31/2023
Michael Ball	Active Public Education Position	8/31/2025
David Corpus	Appointed by Governor	8/31/2025
John Elliot	Appointed by Governor	8/31/2021
Brittney Allred	Appointed by Governor	8/31/2027
James D. Nance	TRS Retiree	8/31/2023
Robert H. Walls Jr.	Appointed by Governor	8/31/2025
Elvis Williams	Active Public Education Position	8/31/2027



# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Optional Retirement Program (ORP)

In 1967, ORP was created as a 403(b) defined contribution plan to serve as an alternative to TRS for full-time faculty, librarians, and certain administrators and professionals employed by Texas public institutions of higher education. ORP is administered by the Texas Higher Education Coordinating Board (THECB). Because their careers normally involve interstate mobility, it was determined that a more portable retirement option would substantially improve higher education institutions' ability to compete for quality employees at the national level. Certain employees of the Texas Higher Education Coordinating Board and the Commissioner of Education are eligible to elect ORP in lieu of ERS. Eligible employees have up to 90 days to make a one-time irrevocable election of ORP. Each institution administers the plan for its employees, including authorization of companies to offer ORP accounts. Participants select a company and direct the allocation of their own investments. Benefits are a result of the amounts contributed and any net return on the investments selected by each participant. Contribution rates are set by the Legislature biennially. Institutions may supplement the state's base rate up to a total employer contribution rate of 8.5 percent.

#### Governing Statute

[Government Code  
Title 8, Subtitle C  
Chapters 830](#)

#### Statewide Coordinator

Toni Alexander  
Texas Higher Education  
Coordinating Board  
PO Box 12788  
Austin, TX 78711  
(512) 427-6101

[www.highered.texas.gov](http://www.highered.texas.gov)

#### Texas Higher Education Coordinating Board

##### Name

##### Term Expires

Fred Farias III, O.D., Chair

8/31/2025

Donna N. Williams, Vice-Chair

8/31/2023

S. Javid Anwar, Secretary

8/31/2021

Richard L. Clemmer

8/31/2023

Emma W. Schwartz

8/31/2025

Robert P. Gauntt

8/31/2027

R. Sam Torn

8/31/2025

Daniel O. Wong

8/31/2027

Welcome W. Wilson, Jr.

8/31/2023

Georgia A. Hejny

5/31/2023

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Texas County & District Retirement System (TCDRS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period <sup>1</sup> (years)	Membership		Contribution <sup>2</sup>	
							Active	Annuitant	Employee	Employer
12/31/2021	\$43,612.42	\$38,598.24	\$5,014.18	88.50%	7.50%	16.4	144,107	78,206	6.78%	12.12%

<sup>1</sup>Amortization period is calculated using system wide aggregate UAAL and payroll amounts.

<sup>2</sup>The members' contribution rate is set by plan sponsor with a weighted average calculated by the PRB. Employer contribution reflects weighted average.

TCDRS was established in 1967 and provides retirement, disability, and survivor benefits to 831 Texas counties and districts, including water, hospital, appraisal, and emergency service districts. Although created by the Texas Legislature, TCDSR does not receive funding from the State of Texas. Each plan is funded independently by the county or district, its employees and investment earnings. Plan sponsors (participating counties and districts) are required to pay 100 percent of their required contribution every year. TCDSR is a savings-based plan where the benefit is based on how much a member has saved over the course of their career and employer matching at retirement.

#### Governing Statute

[Government Code  
Title 8, Subtitle F  
Chapters 841-845](#)

#### Executive Director

Amy Bishop  
901 S. MoPac Expy  
Barton Oaks Plaza IV  
Suite 500  
Austin, Texas 78746  
(512) 328-8889

[www.tcdrs.org](http://www.tcdrs.org)

#### Texas County & District Retirement System Board of Trustees

Name	County	Term Expires
Mary Louise Nicholson, Chair	Tarrant	12/31/2023
Deborah Hunt, Vice-Chair	Williamson	12/31/2027
Susan Fletcher	Collin	12/31/2023
Tamberlin R. Biggar	Fannin	12/31/2025
Sammy Farias	Bee	12/31/2027
Christopher L. Taylor	Tarrant	12/31/2025
Kara Sands	Nueces	12/31/2023
Holly T. Williamson	Harris	12/31/2025
Chris Davis	Cherokee	12/31/2027

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Texas Emergency Services Retirement System (TESRS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
8/31/2022	\$165.38	\$139.48	\$25.90	84.3%	7.50%	21	3,379	3,991	0.00%	Varies

<sup>1</sup>TESRS contributions are comprised of two parts paid by local municipalities. Part one varies with a minimum contribution of \$36 per member, per month. Part two does not affect annuities and is adjusted by the state board based on the most recent actuarial valuation, effective for the following two state fiscal years. Members are volunteers and the covered group does not have a payroll.

TESRS was initially created in 1977 by the 65th Legislature as the Statewide Volunteer Fire Fighter's Retirement Act. In 2005, the system was renamed the Texas Emergency Services Retirement System. TESRS was previously administered by the Office of the Fire Fighters' Pension Commissioner. It became a standalone state agency effective September 1, 2013, with the passing of Senate Bill 220. TESRS covers volunteer fire fighters and emergency services personnel in 239 member departments. The system was created as a funded alternative to numerous local volunteer plans operated under the Texas Local Fire Fighters Retirement Act (TLFFRA). The state pays some of the costs of administering this fund and has a statutory obligation to contribute an amount not to exceed 1/3 of fire department contributions to the extent the system needs the funds to be actuarially sound.

#### Governing Statute

[Government Code  
Title 8, Subtitle H  
Chapters 861-865](#)

#### Executive Director

Tiffany White  
PO Box 12577  
Austin, Texas 78711  
(512) 936-3372

[www.tesrs.org](http://www.tesrs.org)

#### Texas Emergency Services Retirement System Board of Trustees

Name	City	Term Expires
Pilar Rodriguez, Chair	Edinburg	9/1/2027
Jerry Romero, Vice-Chair	El Paso	9/1/2025
Edward J. Keenan, Secretary	Houston	9/1/2023
Jenny Moore	Lake Jackson	9/1/2021
Rodney Alan Ryalls	Burkburnett	9/1/2023
Stephanie Lynn Wagner	Wimberley	9/1/2023
Brian Smith	Austin	9/1/2025
Matt Graves	Alvin	9/1/2025
Nathan Douglas	Seabrook	9/1/2025

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Texas Municipal Retirement System (TMRS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability  (millions)	Actuarial Value of Assets  (millions)	Unfunded Actuarial Accrued Liability  (millions)	Funded Ratio	Discount Rate	Amortization period <sup>1</sup>  (years)	Membership		Contribution <sup>2</sup>	
							Active	Annuitant	Employee	Employer
12/31/2021	\$40,081.54	\$36,281.69	\$3,799.85	90.52%	6.75%	15.3	116,053	76,675	6.70%	14.66%

<sup>1</sup>Amortization period is calculated using system wide aggregate UAAL and payroll amounts.

<sup>2</sup>The members' contribution rate is set by plan sponsor with a weighted average calculated by the PRB. Employer contribution reflects weighted average.

TMRS was established in 1947 and is an agent multiple-employer retirement system which provides retirement, disability, and survivor benefits to active and retired employees of more than 920 participating Texas cities. Although created by the Texas Legislature, TMRS does not receive funding from the State of Texas. TMRS is a cash-balance defined benefit retirement plan, and participating cities design their own retirement program by choosing from a menu of benefit options. Benefits are based on a member's account balance at retirement. Each city has its own actuarial assets, liabilities, and funded ratio. Benefits are funded through mandatory member contributions, city contributions, and TMRS' trust fund investment income. Participating cities are required to pay 100 percent of their required contribution every year and may elect to make additional contributions to help offset future adverse experience and/or pay liabilities faster. Most employers participate in social security.

#### Governing Statute

[Government Code  
Title 8, Subtitle G  
Chapters 851-855](#)

#### Executive Director

David Wescoe  
2717 Perseverance  
Drive, Suite 300  
Austin, Texas 78731  
(512) 476-7577

[www.tmrs.com](http://www.tmrs.com)

#### Texas Municipal Retirement System Board of Trustees

Name	City	Term Expires
Bob Scott, Chair	Prosper	2/1/2025
Anali Alanis, Vice-Chair	Pharr	2/1/2027
Jesus Garza	Victoria	2/1/2023
David Landis	Perryton	2/1/2027
Juan Diego Huizar	Pleasanton	2/1/2023
Bill Philibert	Deer Park	2/1/2025

**2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**  
**TEXAS PENSION REVIEW BOARD**

## Municipal Systems

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### City of Austin Employees' Retirement System (COAERS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
12/31/2021	\$5,032.04	\$3,320.29	\$1,711.76	65.98%	6.75%	33	10,228	7,221	8.00%	19.00%

COAERS was initially established in 1941 by city ordinance. In 1991, the 72nd Legislature enacted Article 6243n, Vernon's Texas Civil Statutes, establishing the system in statute. COAERS is a single employer contributory defined benefit pension plan providing retirement, disability, and death benefit programs for regular full-time employees of the City of Austin working 30 or more hours per week and their beneficiaries. COAERS does not provide benefits for the mayor, members of the City Council, or commissioned civil service police officers and firefighters.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243n](#)

#### Executive Director

Christopher Hanson  
6850 Austin Center Blvd, Suite 320  
Austin, Texas 78731  
(512) 458-2551

[www.coaers.org](http://www.coaers.org)

#### City of Austin Employees' Retirement System Board of Trustees

Name	Position	Term Expires
Chris Noak, Chair	Active Elected Member	12/31/2025
Yuejiao Liu, Vice-Chair	Active Elected Member	12/31/2025
Leslie Pool	City Council Member	N/A
Diana Thomas	City Appointed Member	N/A
Kelly Crook	Council Appointed Citizen	12/31/2024
Dick Lavine	Council Appointed Citizen	12/31/2025
Michael Granof	Board Appointed Citizen	12/31/2025
Brad Sinclair	Active Elected Member	12/31/2023
Amy Hunter	Active Elected Member	12/31/2023
Michael Benson	Council Appointed Citizen	12/31/2024
Anthony B. Ross, Sr.	Retiree Elected Member	12/31/2022

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Austin Fire Fighters Relief & Retirement Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
12/31/2021	\$1,313.30	\$1,176.97	\$136.33	89.62%	7.30%	17.5	1,175	924	18.70%	22.05%

The Austin Fire Fighters Relief and Retirement Fund was initially created in 1937 by an Act of the 45th Legislature under the Texas Local Fire Fighters Retirement Act (Article 6243e, Vernon's Texas Civil Statutes). In 1975, the 64th Legislature enacted Article 6243e-1, establishing the system independently in statute. The system is a single employer contributory defined benefit pension plan that provides retirement, disability, death, and survivor benefits to firefighters employed by the City of Austin and their beneficiaries.

#### Governing Statute

[Vernon's Texas Civil Statutes](#)  
[Article 6243e.1](#)

#### Executive Director

Anumeha Kumar  
4101 Parkstone Heights  
Dr., Suite 270  
Austin, Texas 78746  
(512) 454-9567

[www.afrs.org](http://www.afrs.org)

#### Austin Fire Fighters Relief & Retirement Fund Board of Trustees

Name	Position	Term Expires
Kirk Watson, Chair	Mayor	N/A
Doug Fowler, Vice-Chair	Fund Member	1/1/2024
Belinda Weaver	Treasurer	N/A
Aaron Woolverton	Fund Member	1/1/2026
John Bass	Fund Member	1/1/2025

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Austin Police Retirement System

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer <sup>1</sup>
12/31/2021	\$1,623.33	\$977.91	\$645.43	60.24%	7.25%	30	1,673	1,164	15.00%	26.71%

<sup>1</sup>The total employer contribution of 26.71 percent consists of the actuarially determined contribution rate of 10.10 percent and a reported fiscal year payment of \$26,994,958.

The Austin Police Retirement System was initially created in 1979 under city ordinance. In 1991, the 72nd Legislature enacted Article 6243n-1, Vernon's Texas Civil Statutes, establishing the system in statute. The system is a single employer contributory defined benefit pension plan providing retirement, death, disability, and withdrawal benefits to plan members and their beneficiaries. Members include all cadets upon enrollment in the Austin Police Academy, and commissioned law enforcement officers employed by the City of Austin Police Department, as well as full time employees of the City of Austin Police Retirement System.

#### Governing Statute

[Vernon's Texas Civil Statutes](#)  
[Article 6243n-1](#)

#### Executive Director

Pattie Featherston  
2520 South IH 35  
Suite 100  
Austin, Texas 78704  
(512) 416-7672

[www.ausprs.org](http://www.ausprs.org)

#### Austin Police Retirement System Board of Trustees

Name	Position	Term Expires
Sheldon Askew, Chair	Police Member	1/15/2024
Keith Harrison, Vice-Chair	Retired Member	1/19/2026
Christopher Salacki	Police Member	1/19/2026
Michael Cowden	Police Member	1/15/2024
Nicholas Moore	Police Member	1/15/2024
Carl Zimmerman	Retired Member	1/15/2024
Belinda Weaver	City Member	N/A
Diana Thomas	City Member	N/A
Michael Granof	City Member	1/19/2026
Chelsey Wood	Citizen Member	2/19/2024



# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Dallas Employees' Retirement Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
12/31/2021	\$5,094.36	\$3,872.60	\$1,221.76	76.02%	7.25%	50	7,175	7,6055	13.32%	14.12%

The Dallas Employees' Retirement Fund was established by ordinance in November 1943 and became effective in January 1944 after ratification by the voters of the City of Dallas. The system derives its authority from Chapter 40A of the Dallas City Code. The system is a single employer defined benefit pension plan that provides retirement, disability, and death benefits to its members, and is sponsored by the City of Dallas. All employees of the City are members in the system, except police officers, firefighters, elected officers, non-salaried appointee members of administrative boards or commissions, part-time employees working less than one-half time, temporary employees, individuals working under contract, and individuals whose salaries are paid in part by another government agency.

#### Governing Statute

[Chapter 40A](#)  
[Dallas City Code](#)

#### Executive Director

Cheryl Alston  
1920 McKinney Avenue  
10<sup>th</sup> Floor  
Dallas, Texas 75201  
(214) 580-7700

[www.dallaserf.org](http://www.dallaserf.org)

#### Dallas Employees' Retirement Fund Board of Trustees

Name	Position	Term Expires
Henry Talavera, Chair	Citizen Member	Holdover
John W. Peavy III, Vice-Chair	Citizen Member	Holdover
Carla D. Brewer	Active Member	Holdover
Sunil King	Active Member	Holdover
Tina B. Richardson	Active Member	Holdover
Mark S. Swann	Active Member	N/A
T. Dupree Scovell	Citizen Member	9/30/2023

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Dallas Police & Fire Pension System (DPFPS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
1/1/2022	\$5,158.78	\$2,117.98	\$3,040.80	41.00%	7.00%	68	5,088	5,196	14.00%	37.00%

The Dallas Police & Fire Pension System was initially created in 1916 under city ordinance. In 1933, the 43rd Legislature enacted 6243a, Vernon's Texas Civil Statutes, establishing the system in statute. The system was restated and continued in 1989 by an Act of the 71st Legislature under Article 6243a-1. The system is a single employer contributory defined benefit plan providing retirement, survivor, and disability benefits to the uniformed public safety employees of the City of Dallas and their beneficiaries.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243a-1](#)

#### Executive Director

Kelly Gottschalk  
4100 Harry Hines Blvd  
Suite 100  
Dallas, Texas 75219  
(214) 638-3863

[www.dpfp.org](http://www.dpfp.org)

#### Dallas Police & Fire Pension System Board of Trustees

Name	Position	Term Expires
Nicholas Merrick, Chair	Mayor Appointed	8/31/2023
William Quinn, Vice-Chair	Mayor Appointed	8/31/2024
Armando Garza	Fire-Elected	8/31/2022
Ken Haben	Police-Elected	8/31/2023
Michael Brown	Mayor Appointed	8/31/2025
Steve Idoux	Mayor Appointed	8/31/2024
Mark Malveaux	Mayor Appointed	8/31/2024
Tina Hernandez-Patterson	Mayor Appointed	8/31/2024
Nancy Rocha	Non-Member-Elected	8/31/2025
Anthony Scavuzzo	Non-Member-Elected	8/31/2025
Marcus Smith	Non-Member-Elected	8/31/2024

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### City of El Paso Employees Retirement Trust (CERT)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
9/1/2020	\$1,085.02	\$867.57	\$217.45	79.96%	7.25%	16	4,304	3,476	8.95%	14.05%

The City of El Paso Employees Retirement Trust is a single employer defined benefit plan and was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code. The system is a component unit of the City of El Paso, Texas. The system provides retirement, death, and disability benefits to participants and their beneficiaries. Substantially all full-time employees of the City are eligible to participate in the plan, except for uniformed firefighters and police officers who are covered under separate plans. Non-employer contributions are limited to participating employees of the system.

#### Governing Statute

[Chapter 2.64](#)  
[El Paso City Code](#)

#### Executive Director

Robert B. Ash  
1039 Chelsea St.  
El Paso, Texas 79903  
(915) 212-0112

[www.eppension.org](http://www.eppension.org)

#### City of El Paso Employees Retirement Trust Board of Trustees

Name	Position	Term Expires
Matt Kerr, Chair	Citizen Appointed by Mayor	4/30/2023
Karl Rimkus, Vice-Chair	Elected City Employee	4/30/2025
Mario R. Hernandez	Elected City Employee	4/30/2023
Diana Nuñez	Elected City Employee	4/30/2023
Isaura Valdez	Elected City Employee	4/30/2025
Deborah Hamlyn	Citizen Appointed by Mayor	4/30/2024
Rene Pena	Citizen Appointed by Mayor	4/30/2023
Isabel Salcido	City Council Representative	1/23/2024
Joe Molinar	City Council Representative	1/23/2024

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### El Paso Firemen & Policemen's Pension Fund

Click [here](#) to visit the firemen's and [here](#) to visit the policemen's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Firemen										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
1/1/2022	\$871.76	\$720.06	\$151.70	82.60%	7.75%	16.6	889	791	18.00%	17.70%
Policemen										
1/1/2022	\$1,264.33	\$1,033.54	\$230.79	81.75%	7.75%	16.4	1,132	1,131	18.00%	18.20%

The El Paso Firemen & Policemen's Pension Fund was initially created in 1920. In 1933, the 43rd Legislature enacted Article 6243b, Vernon's Texas Civil Statutes, establishing the system in statute. The system is a single employer contributory defined benefit plan, providing retirement, disability, and death benefits to uniformed public safety employees of the City of El Paso and their beneficiaries. The system is comprised of two divisions, a Policemen's Fund and a Firemen's Fund, both managed by a common Board of Trustees and administrative staff.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243b](#)

#### Executive Director

Tyler Grossman  
909 E. San Antonio  
El Paso, Texas 79901  
(915) 771-8111

[www.elpasofireandpolice.org](http://www.elpasofireandpolice.org)

#### El Paso Firemen & Policemen's Pension Fund Board of Trustees

Name	Position	Term Expires
J. Sean Shelton, Chair	Active Police	7/1/2025
Paul Thompson, Vice-Chair	Active Fire	7/1/2025
Jerry Armendariz	Active Police	7/1/2023
Ricci J. Carson	Active Fire	7/1/2023
John Schneider	Active Police	7/1/2026
Daniel P. Roy	Active Fire	7/1/2025
Susanna Visconti	Mayoral Appointee	7/1/2023
Leila Melendez	Mayoral Appointee	7/1/2025
Lee Ellen Banks	Mayoral Appointee	9/1/2023
William Veliz	City Manager Appointee	9/1/2023
Gary Borsch	City Manager Appointee	9/1/2025

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Fort Worth Employees' Retirement Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
12/31/2021	\$4,891.94	\$2,692.75	\$2,199.19	55.04%	7.00%	37	6,626	4,906	11.14%	24.48%

The Fort Worth Employees' Retirement Fund was initially created in 1945 by city ordinance. In 2007, the 80th Legislature enacted Article 6243i, Vernon's Civil Statutes, establishing the system independently in statute. The Fort Worth Employees' Retirement Fund is a multi-employer cost sharing defined benefit pension plan covering all regular employees, police officers, and firefighters employed full time by the City of Fort Worth.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243i](#)

#### Interim Executive Director

Eleza Bennett  
3801 Hulen St, Suite 101  
Fort Worth, Texas 76107  
(817) 632-8900

[www.fwretirement.org](http://www.fwretirement.org)

#### Fort Worth Employees' Retirement Fund Board of Trustees

Name	Position	Term Expires
Doug Wilson, Chair	Council Appointee	8/31/2023
Andrea Wright, Vice-Chair	Active Municipal	8/31/2024
Lloyd Cook	Active Police	8/31/2023
Loraine Coleman	Active Municipal	8/31/2023
Stephen Stegint	Active Fire	8/31/2024
Kevin Foster	Retired Police	8/31/2024
Marsha Anderson	Retired Municipal	8/31/2023
Landon Stallings	Retired Fire	8/31/2023
Jesús Payán	Council Appointee	8/31/2024
Steve Litke	Council Appointee	8/31/2024
Steve Purvis	Council Appointee	8/31/2023
Jim Lacamp	Council Appointee	8/31/2024
Reginald Zeno	Chief Financial Officer	N/A

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Galveston Employees' Retirement Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
12/31/2021	\$76.61	\$65.18	\$11.43	85.08%	7.25%	10.8	506	368	6.00%	9.00%

The Galveston Employees' Retirement Plan for City Employees, a component unit of the City of Galveston, is a single employer defined benefit pension plan created by city ordinance under the authority of Title 8, Subchapter A of the Texas Government Code, to provide retirement and incidental benefits for employees of the City who are not participants of the retirement plans for the police department or firefighters.

Governing Statute	Administrator	Galveston Employees' Retirement Fund Board of Trustees		
		Name	Position	Term Expires
Chapter 28 Galveston City Code	Jacque Vasquez 1011 Tremont Galveston, Texas 77550 (409) 443-5006	Robert Simmons	Active	4/1/2024
		Mike Loftin	Active	N/A
		Rodney Low	Active	7/1/2025
		Jeff Ammerman	Active	7/1/2025
		Don Davison	Citizen	2/1/2025
		James Patterson	Citizen	3/1/2025
		Lewis Rosen	Citizen	2/1/2023

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Galveston Employees' Retirement Plan for Police

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
1/1/2021	\$60.10	\$22.85	\$37.26	38.01%	7.00%	27	156	144	12.00%	18.00%

The Galveston Employees' Retirement Plan for Police was initially created in 1980 by city ordinance. In 1997, the 75th Legislature enacted Article 6243p, Vernon's Texas Civil Statutes, establishing the system independently in statute. City code provisions pertaining to the system were replaced with the language from Article 6243p in 1998. The system is a single employer contributory defined benefit pension plan covering police officers employed full time by the City of Galveston that provides retirement, disability, and death benefits to eligible members and their beneficiaries. Participation is mandatory for eligible employees hired on or after December 1, 1980; eligible employees hired prior to this date were given a onetime option of electing to participate as of December 1, 1980.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243p](#)

#### Administrator

Jacque Vasquez  
1011 Tremont  
Galveston, Texas 77550  
(409) 443-5006

#### Galveston Employees' Retirement Plan for Police Board of Trustees

Name	Position	Term Expires
Geoffrey Gainer, Chair	Active	N/A
Mike Loftin	Council Appointment	N/A
Andre Mitchell	Active	12/31/2023
Richard Moore	Citizen	7/31/2024
Daniel Buckley	Active	8/30/2023
Mathew Cauley	Active	9/30/2025
Hal Rochkind	Citizen	9/30/2023
Destin Sims	Active	9/30/2025

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Houston Firefighters' Relief & Retirement Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
7/1/2021	\$4,881.61	\$4,550.47	\$331.14	93.22%	7.00%	26	3,671	3,441	10.50%	22.55%

The Houston Firefighters' Relief and Retirement Fund was initially created in 1937 under the authority of the Texas Local Fire Fighters Retirement Act. In 1975, the 64th Legislature enacted Article 6243e.2, Vernon's Texas Civil Statutes, establishing the system independently in statute. The system was recodified by the 75th Legislature in 1997 under Article 6243e.2(1), Vernon's Texas Civil Statutes. The system is a single employer contributory defined benefit pension plan which covers firefighters employed by the City of Houston that provides retirement, disability, and death benefits to eligible members and their beneficiaries. Prior to 1988, the City of Houston provided the staff and financing for the daily administration of the system; effective July 1, 1988, the Board of Trustees assumed full responsibility for system administration.

**Governing Statute**  
[Vernon's Texas Civil Statutes](#)  
[Article 6243e.2\(1\)](#)

**Executive Director**  
 Timothy Schauer  
 4225 Interwood N Pkwy  
 Houston, Texas 77032  
 (281) 372-5100  
  
[www.hfrrf.org](http://www.hfrrf.org)

#### Houston Firefighters' Relief & Retirement Fund Board of Trustees

Name	Position	Term Expires
Brett R. Besselman, Chair	Active Firefighter	12/31/2024
Stephen R. Whitehead, Vice-Chair	Active Firefighter	12/31/2023
David O. Lantrip	Retired Firefighter	12/31/2024
Pete Ng	Active Firefighter	12/31/2023
David Riegler	Active Firefighter	12/31/2025
Gerald L. Daniels	Active Firefighter	12/31/2025
Earnest W. Wotring	Mayor's Representative	N/A
Arif Rasheed	City Treasurer Designee	N/A
Albertino "Al" Mays	Citizen Member	12/31/2024
Lisa R. Slagle, Secretary	Citizen Member	12/31/2023



# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Houston Municipal Employees Pension System (HMEPS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution <sup>1</sup>	
							Active	Annuitant	Employee	Employer
7/1/2022	\$5,428.56	\$3,573.37	\$1,855.19	65.83%	7.00%	25	11,402	11,776	3.00%	29.65%

<sup>1</sup>Member contributions are split into three groups; group A contributes 8 percent, Group B contributes 4 percent, and Group D contributes 3 percent. City contribution rates are based on a two-part statutory funding requirement consisting of the 2016 UAAL amortized over a closed 30-year period paid on a fixed contribution schedule plus an amount determined in each subsequent Risk Sharing Valuation Study (RSVS) that includes normal cost and amortization of additional gains and losses.

Houston Municipal Employees Pension System was created in 1943 by an act of the 48th Legislature, and codified under Article 6243g, Vernon's Texas Civil Statutes. The system was recodified by the 77th Texas Legislature in 2001 under Article 6243h, Vernon's Texas Civil Statutes. The system is a multiple-employer defined benefit pension plan that provides service retirement, disability retirement, and death benefits for all full-time municipal employees, except police officers and firefighters (other than certain police officers in the system as authorized by the statute), elected City officials, full-time employees of the system, and eligible beneficiaries.

#### Governing Statute

[Vernon's Texas Civil Statutes](#)  
[Article 6243h](#)

#### Executive Director

David L. Long  
1201 Louisiana, Ste 900  
Houston, Texas 77002  
(713) 595-0100

[www.hmeps.org](http://www.hmeps.org)

#### Houston Municipal Employees Pension System Board of Trustees

Name	Position	Term Expires
Sherry Mose, Chair	Employee Trustee	8/1/2022
Lenard Polk, Vice-Chair	Employee Trustee	8/1/2024
Lonnie Vara	Retiree Trustee	8/1/2024
Roderick J. Newman	Retiree Trustee	8/1/2022
Rhonda Smith	Employee Trustee	8/1/2024
Roy W. Sanchez	Employee Trustee	8/1/2022
Barbara Chelette	Board Appointed	7/1/2023
Edward J. Hamb II	Controller Appointee	7/1/2023
David Donnelly	Mayoral Appointee	7/1/2023
Adrian Patterson	City Council Appointee	7/1/2023
Denise Castillo-Rhodes	City Council Appointee	7/1/2023

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Houston Police Officer's Pension System (HPOPS)

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
7/1/2022	\$7,381.24	\$6,459.37	\$921.87	87.51%	7.00%	25	5,156	4,996	10.50%	32.03%

Houston Police Officer's Pension System was created in 1947 by an act of the 50th Legislature, and is governed by Article 6243g-4, Vernon's Texas Civil Statutes. The system is a single employer contributory defined benefit pension plan covering police officers employed full time by the City of Houston that provides for service, disability, and death benefits for eligible members and their beneficiaries.

#### Governing Statute

[Vernon's Texas Civil Statutes](#)  
[Article 6243g-4](#)

#### Executive Director

Patrick S. Franey  
602 Sawyer St, Suite 300  
Houston, Texas 77007  
(713) 860-8734

[www.hpops.org](http://www.hpops.org)

#### Houston Police Officer's Pension System Board of Trustees

Name	Position	Term Expires
Dwayne Ready, Chair	Retired Police Member	12/31/2023
Terry A. Bratton, Vice Chair	Retired Police Member	12/31/2023
D. Trey Coleman, Secretary	Police Member	12/31/2024
George Guerrero	Police Member	12/31/2025
Steven Le	Police Member	12/31/2023
Melissa Dubowski	Director of Finance, Designee	N/A
Don Sanders	Mayor's Representative	N/A

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### San Antonio Fire & Police Pension Fund

Click [here](#) to visit the plan's page on the Texas Public Pension Data Center.

Summary of Current Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
1/1/2022	\$4,333.33	\$3,831.39	\$495.94	88.56%	7.25%	13.57	4,155	3,135	12.32%	24.64%

The San Antonio Fire and Police Pension Fund was created in 1941 by an act of the 47th Legislature, and is governed by Article 6243o, Vernon's Texas Civil Statutes. The system is a single employer contributory defined benefit retirement plan that provides comprehensive retirement, death, and disability benefits for the City of San Antonio's police officers, firefighters, retirees, and their beneficiaries.

#### Governing Statute

[Vernon's Texas Civil Statutes Article 6243o](#)

#### Executive Director

Warren J. Schott  
11603 W Coker Loop  
San Antonio, Texas 78216  
(210) 534-3262

[www.safppf.org](http://www.safppf.org)

#### San Antonio Fire & police Pension Fund Board of Trustees

Name	Position	Term Expires
Dean R. Pearson, Chair	Active Fire Trustee	5/31/2025
Larry A. Reed, Vice-Chair	Retired Fire Trustee	5/31/2025
Amanda Viera	Active Police Trustee	5/31/2025
Shawn Griffin	Active Fire Trustee	5/31/2023
Harry Griffin	Retired Police Trustee	5/31/2023
Justin Rodriguez	Mayoral Designee	5/31/2025
Melissa Cabello-Havrda	Councilwoman	5/31/2025
Adriana Rocha Garcia, Secretary	Councilwoman	5/31/2025

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Local Firefighter Plans (TLFFRA)

Click [here](#) to visit the TLFFRA page in the Texas Public Pension Data Center.

Summary of Current Aggregate Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
N/A	\$3,667.69	\$2,371.27	\$1,296.42	63.16%	N/A	N/A	5,840	4,125	N/A	N/A

The Texas Local Fire Fighters Retirement Act (TLFFRA) was originally created in 1937 by the 45<sup>th</sup> Legislature and named the Firemen's Relief and Retirement Fund. In 1989, the Act was restated under [Article 6243e](#) and renamed as the Texas Local Fire Fighters Retirement Act. The Act allows for paid and part-paid fire departments and volunteer fire departments in participating cities to administer their own local retirement systems. The Act provides general guidelines for fund management, including some investment restrictions, but leaves administration, plan design, contributions, and specific investments to each system's local board. Systems operating under TLFFRA are entirely locally funded and each have their own local boards of trustees governed by state statute. The following list includes paid and part-paid TLFFRA retirement systems:

Abilene Firemen's Relief & Retirement Fund	Harlingen Firemen's Relief & Retirement Fund	Port Arthur Firemen's Relief & Retirement Fund
Amarillo Firemen's Relief & Retirement Fund	Irving Firemen's Relief & Retirement Fund	San Angelo Firemen's Relief & Retirement Fund
Atlanta Firemen's Relief & Retirement Fund	Killeen Firemen's Relief & Retirement Fund	San Benito Firemen Relief & Retirement Fund
Beaumont Firemen's Relief & Retirement Fund	Laredo Firefighters Retirement System	Sweetwater Firemen's Relief & Retirement Fund
Big Spring Firemen's Relief & Retirement Fund	Longview Firemen's Relief & Retirement Fund	Temple Firemen's Relief & Retirement Fund
Brownwood Firemen's Relief & Retirement Fund	Lubbock Fire Pension Fund	Texarkana Firemen's Relief & Retirement Fund
Cleburne Firemen's Relief & Retirement Fund	Lufkin Firemen's Relief & Retirement Fund	Texas City Firemen's Relief & Retirement Fund
Conroe Fire Fighters' Retirement Fund	Marshall Firemen's Relief & Retirement Fund	The Woodlands Firefighters' Retirement System
Corpus Christi Fire Fighters' Retirement System	McAllen Firemen's Relief & Retirement Fund	Travis County ESD #6 Firefighter's Relief & Retirement Fund
Corsicana Firemen's Relief & Retirement Fund	Midland Firemen's Relief & Retirement Fund	Tyler Firefighters' Relief & Retirement Fund
Denison Firemen's Relief & Retirement Fund	Odessa Firemen's Relief & Retirement Fund	University Park Firemen's Relief & Retirement Fund
Denton Firemen's Relief & Retirement Fund	Orange Firemen's Relief & Retirement Fund	Waxahachie Firemen's Relief & Retirement Fund
Galveston Firefighter's Relief & Retirement Fund	Paris Firefighters' Relief & Retirement Fund	Weslaco Firemen's Relief & Retirement Fund
Greenville Firemen's Relief & Retirement Fund	Plainview Firemen's Relief & Retirement Fund	Wichita Falls Firemen's Relief & Retirement Fund

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Special District/Supplemental Plans (Chapter 810)

Click [here](#) to visit the Special District/Supplemental page in the Texas Public Pension Data Center.

Summary of Current Aggregate Plan Data										
Date of Valuation	Actuarial Accrued Liability (millions)	Actuarial Value of Assets (millions)	Unfunded Actuarial Accrued Liability (millions)	Funded Ratio	Discount Rate	Amortization period (years)	Membership		Contribution	
							Active	Annuitant	Employee	Employer
N/A	\$10,618.36	\$8,560.87	\$2,057.49	85.64%	N/A	N/A	31,674	26,475	N/A	N/A

[Chapter 810](#) of the Government Code was enacted in 1991 by the 72<sup>nd</sup> Legislature in response to two Attorney General opinions (JM-1068 and JM-1142) determining that several local retirement systems were established lacking appropriate legislative authority and were thus invalid under the Texas Constitution. Chapter 810 authorizes all those systems that had been established prior to the Attorney General opinions and provides authority for subsequent local retirement systems to be established by local jurisdictions. Retirement systems established under Chapter 810 of the Government Code have the authority to determine plan provisions locally. The following list includes actuarially funded retirement systems enabled by Chapter 810:

Arlington Employees Deferred Income Plan	Irving Supplemental Benefit Plan
Brazos River Authority Retirement Plan	JPS Pension Plan - Tarrant County Hospital District
Capital MTA Retirement Plan for Administrative Employees	Lower Colorado River Authority Retirement Plan
Capital MTA Retirement Plan for Bargaining Unit Employees	Lower Neches Valley Authority Retirement Plan
Colorado River Municipal Water District Defined Benefit Retirement Plan & Trust	Nacogdoches County Hospital District Retirement Plan
Corpus Christi Regional Transportation Authority	Northeast Medical Center Hospital Retirement Plan
CPS Energy Pension Plan	Northwest Texas Healthcare System Retirement Plan
Dallas County Hospital District Retirement Income Plan	Plano Retirement Security Plan
Dallas/Fort Worth Airport Board DPS Retirement Plan	Port of Houston Authority Retirement Plan
Dallas/Fort Worth Airport Board Retirement Plan	Refugio County Memorial Hospital District Retirement Plan
DART Employees' Defined Benefit Retirement Plan & Trust	Retirement Plan for Anson General Hospital
El Paso Firemen & Policemen's Pension Staff Plan and Trust	Retirement Plan for Citizens Medical Center
Galveston Wharves Pension Plan	Retirement Plan for Employees of Brownsville Navigation District
Guadalupe-Blanco River Authority	Retirement Plan for Guadalupe Regional Medical Center
Harris County Hospital District Pension Plan	Retirement Plan for Sweeny Community Hospital
Houston MTA Non-Union Pension Plan	San Antonio Metropolitan Transit Retirement Plan
Houston MTA Workers Union Pension Plan	University Health System Pension Plan

**2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS**  
**TEXAS PENSION REVIEW BOARD**

**APPENDICES**

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Appendix A – Pension Obligation Bonds Issued and Outstanding as of 8/31/2022

Pension Obligation Bonds Issued and Outstanding as of 8/31/2022 as provided by the Bond Review Board (BRB)								
Govt Name	Issue Name	Closing Date	Maturity Date	Par Amount Issued	Principal Outstanding	Percent Outstanding	Interest Outstanding	True Interest Cost
Arlington	GO Pension Bonds Txbl Ser 2020	9/22/2020	8/15/2038	\$174,665,000	\$157,070,000	90%	\$24,594,383	1.69%
Bryan	GO Pension Bonds Txbl Ser 2020	11/19/2020	8/15/2040	\$54,700,000	\$53,335,000	98%	\$14,716,578	2.37%
Dallas	Txbl GO Pension Bonds Ser 2005A	2/16/2005	2/15/2035	\$186,575,000	\$50,000,000	27%	\$22,916,444	4.98%
Dallas	Txbl GO Pension Bonds Ser 2005B	2/16/2005	2/15/2035	\$137,772,609	\$45,315,416	33%	\$463,049,584	5.32%
Dallas	Txbl GO Pension Bonds Ser 2005C <sup>1</sup>	2/16/2005	2/15/2024	\$75,000,000	\$0	0%	\$0	5.99%
Dallas	GO Ref Bonds Txbl Ser 2010 <sup>2</sup>	11/18/2010	2/15/2024	\$77,670,000	\$0	0%	\$0	4.58%
Dallas	GO Ref Bonds Txbl Ser 2020B	11/12/2020	2/15/2024	\$76,920,000	\$73,185,000	95%	\$605,321	0.78%
				<b>\$553,937,609</b>	<b>\$168,500,416</b>		<b>\$486,571,349</b>	
El Paso	Txbl GO Pension Bonds Ser 2007	7/19/2007	8/15/2035	\$101,240,000	\$68,785,000	68%	\$32,289,176	5.98%
El Paso	Txbl GO Pension Bonds Ser 2009 <sup>3</sup>	6/25/2009	8/15/2014	\$111,545,000	\$0	0%	\$0	3.60%
El Paso	GO Ref Bonds Txbl Ser 2014	1/16/2014	8/15/2034	\$110,610,000	\$76,040,000	69%	\$28,133,483	2.53%
				<b>\$323,395,000</b>	<b>\$144,825,000</b>		<b>\$60,422,659</b>	
Gainesville Hospital District	Ltd Tax Ref Bonds Txbl Ser 2017B (VR) <sup>4</sup>	12/22/2017	8/15/2037	\$14,210,000	\$0	0%	\$0	13.24%
Gainesville Hospital District	Ltd Tax Ref Bonds Txbl Ser 2018A <sup>a</sup>	12/20/2018	8/15/2037	\$41,265,000	\$35,835,000	87%	\$18,559,070	5.64%
				<b>\$55,475,000</b>	<b>\$35,835,000</b>		<b>\$18,559,070</b>	
Grand Prairie	GO Pension Bonds Txbl Ser 2022	8/31/2022	2/15/2037	\$77,515,000	\$77,515,000	100%	\$26,551,910	3.95%

**Note:** Totals may not sum due to rounding.

<sup>1</sup> Refunded by GO Ref Bonds Txbl Ser 2010

<sup>2</sup> Refunded by GO Ref Bonds Txbl Ser 2020B

<sup>3</sup> Refunded by GO Ref Bonds Txbl Ser 2014

<sup>4</sup> Refunded by Ltd Tax Ref Bonds Txbl Ser 2018A

<sup>a</sup> Refunded multiple issuances, only 34.44 percent of which were pension related

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

Pension Obligation Bonds Issued and Outstanding as of 8/31/2022 as provided by the Bond Review Board (BRB)								
Govt Name	Issue Name	Closing Date	Maturity Date	Par Amount Issued	Principal Outstanding	Percent Outstanding	Interest Outstanding	True Interest Cost
Houston	Txbl Pension Oblig Notes Ser 2004 <sup>5</sup>	12/17/2004	2/15/2006	\$22,900,000	\$0	0%	\$0	4.35%
Houston	Txbl GO Pension Bonds Ser 2005 <sup>b</sup>	3/30/2005	3/1/2035	\$57,165,000	\$57,165,000	100%	\$29,867,423	5.30%
Houston	Txbl Pension Oblig Bonds Ser 2006A	3/29/2006	3/1/2036	\$63,740,000	\$63,740,000	100%	\$40,514,645	5.51%
Houston	Txbl Pension Oblig Bonds Ser 2007A	3/1/2007	3/1/2037	\$63,800,000	\$63,800,000	100%	\$49,592,513	5.54%
Houston	Txbl Pension Oblig Notes Ser 2008 <sup>6</sup>	2/15/2008	2/18/2009	\$35,050,000	\$0	0%	\$0	3.32%
Houston	Txbl Pension Oblig Bonds Ser 2008B	1/8/2009	3/1/2032	\$20,190,000	\$15,340,000	76%	\$5,797,493	6.29%
Houston	Txbl Pension Oblig Ref Bonds Ser 2008A <sup>c</sup>	1/8/2009	3/1/2032	\$382,630,000	\$280,060,000	73%	\$103,102,221	6.29%
Houston	Txbl Pension Oblig Notes Ser 2010 (VR) <sup>7</sup>	5/21/2010	11/16/2011	\$20,100,000	\$0	0%	\$0	N/A
Houston	Txbl Pub Impr Ref Bonds Ser 2011B <sup>d</sup>	10/27/2011	3/1/2041	\$47,010,000	\$45,075,000	96%	\$18,379,444	4.00%
Houston	Txbl Pension Obligation Bonds Ser 2017	12/15/2017	3/1/2047	\$1,005,145,000	\$958,120,000	95%	\$651,638,964	3.93%
				<b>\$1,717,730,000</b>	<b>\$1,483,300,000</b>		<b>\$898,892,703</b>	
Irving	GO Pension Bonds Txbl Ser 2021	12/15/2021	9/15/2041	\$86,220,000	\$86,220,000	100%	\$27,216,322	2.59%
Irving	GO Pension Bonds Txbl Ser 2022	5/24/2022	9/15/2047	\$80,785,000	\$80,785,000	100%	\$47,333,886	4.36%
				<b>\$167,005,000</b>	<b>\$167,005,000</b>		<b>\$74,550,208</b>	
Longview	GO Pension Bonds Txbl Ser 2022	7/14/2022	9/1/2047	\$45,600,000	\$45,600,000	100%	\$39,424,967	5.11%
				<b>\$3,170,022,609</b>	<b>\$2,332,985,416</b>		<b>\$1,644,283,827</b>	

**Note:** Totals may not sum due to rounding.

<sup>5</sup> Refunded by Txbl GO Pension Bonds Ser 2005

<sup>6</sup> Refunded by Txbl Pension Oblig Ref Bonds Ser 2008A

<sup>7</sup> Refunded by Txbl GO Pension Bonds Ser 2005

<sup>b</sup> Refunded Txbl Pension Oblig Notes Ser 2004 & added new pension debt

<sup>c</sup> Refunded Txbl Pension Oblig Notes Ser 2008, Collateralized Pension Oblig Note Ser 2004 & related Deferred Interest Certificates

<sup>d</sup> Refunded multiple issuances, only 44.16 percent of which were pension related



# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Appendix B – DROP Balance as a Percentage of Assets

This table shows the retirement systems that the PRB has identified as having a deferred retirement option plan (DROP), along with a corresponding DROP balance, as reported by systems in their GASB disclosures. This table also includes the plan's fiduciary net position (FNP), as reported by the plan, and the DROP balance as a percent of the FNP, which is calculated by the PRB.

Plan Name	Effective Date	DROP Balance (millions)	Fiduciary Net Position (FNP)	DROP Balance as a Percent of FNP
Abilene Firemen's Relief & Retirement Fund	9/30/2021	\$0.00	\$64.97	0%
Austin Fire Fighters Relief & Retirement Fund	12/31/2021	\$148.68	\$1,303.54	11.41%
Austin Police Retirement System	12/31/2021	\$38.44	\$1,080.73	3.56%
Beaumont Firemen's Relief & Retirement Fund	12/31/2021	\$25.51	\$126.82	20.12%
Big Spring Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$16.99	0%
Cleburne Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$26.31	0%
Conroe Fire Fighters' Retirement Fund	12/31/2021	\$2.19	\$41.18	5.33%
Dallas Police & Fire Pension System-Combined Plan	12/31/2022	\$113.91	\$2,157.84	5.28%
Dallas Police & Fire Pension System-Supplemental	12/31/2021	\$0.131	\$18.66	0.70%
El Paso Firemen & Policemen's Pension Staff Plan and Trust	12/31/2021	\$0.00	\$1.14	0%
El Paso Firemen's Pension Fund <sup>1</sup>	12/31/2021	\$22.24	\$795.07	2.80%
El Paso Police Pension Fund <sup>1</sup>	12/31/2021	\$45.32	\$1,146.70	3.95%
Fort Worth Employees' Retirement Fund	9/30/2021	\$154.20	\$2,830.44	5.45%
Fort Worth Employees' Retirement Fund Staff Plan	9/30/2021	\$0.00	\$8.02	0%
Harlingen Firemen's Relief & Retirement Fund	9/30/2021	\$0.54	\$40.78	1.33%
Houston Firefighters' Relief & Retirement Fund	6/30/2021	\$1,263.09	\$5,256.76	24.03%
Houston Municipal Employees Pension System	6/30/2021	\$725.40	\$3,952.35	18.35%
Houston Police Officers' Pension System	6/30/2021	\$778.78	\$7,137.25	10.91%
Irving Firemen's Relief & Retirement Fund	12/31/2021	\$27.30	\$199.99	13.65%
Longview Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$52.47	0%
Lufkin Firemen's Relief & Retirement Fund	12/31/2021	\$1.83	\$23.56	7.78%
Marshall Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$9.58	0%
Midland Firemen's Relief & Retirement Fund	12/31/2021	\$1.16	\$93.77	1.23%
Odessa Firemen's Relief & Retirement Fund	12/31/2021	\$0.35	\$52.81	0.67%
Orange Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$10.91	0%
San Angelo Firemen's Relief & Retirement Fund	12/31/2021	\$0.00	\$83.37	0%
Teacher Retirement System of Texas	8/31/2021	\$1.65	\$201,807.00	0%
The Woodlands Firefighters' Retirement System	12/31/2021	\$0.00	\$63.44	0%

<sup>1</sup>The Plan has a Forward DROP, but balances are excluded from reported FNP.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Appendix C – Legislation Relating to Public Retirement Systems Adopted by the 87<sup>th</sup> Legislature

#### General Pension Bills

##### HB 3898 - Funding Policy, FSRP Updates, & IPPE Changes (Anchia)

*Status: Signed by Governor 6/18/21; Effective 9/1/21*

##### Funding Policy Changes

**Sponsor involvement.** Systems and their sponsor, if not a statewide, must **jointly develop and adopt** a funding policy.

**Funding policy revision.** The funding policy must be revised to reflect any significant changes required because of an FSRP. If revising the funding policy after an FSRP, the revision must describe any automatic contribution or benefit changes to avoid having to create a revised FSRP (R-FSRP), including risk sharing, ADC structure, or other adjustable mechanisms. The PRB may adopt rules necessary to implement this section. The most recent edition of the funding policy must be posted on a publicly available website.

##### FSRP Changes

Threshold, target, trigger, and sponsor adoption. For FSRPs after September 1, 2021, the triggering amortization period is lowered from **40 to 30 years** and an FSRP is required if the system's amortization period has exceeded 30 years for three consecutive annual AVs or two consecutive AVs for plans that conduct AVs every two to three years. **However, no system would have to achieve 30 years before September 1, 2025.**

FSRPs must:

- be developed by the later of two years after the AV that triggered the requirement or September 1, 2025.
- be adopted at open meetings of the governing bodies of the system and sponsor.
- FSRPs may not include items requiring future actions.

**Effective September 1, 2025,** FSRPs are triggered immediately if:

- the amortization period is > 40 years; or
- the amortization period is > 30 years with a funded ratio under 65 percent.

**Credit for reforms already made.** An R-FSRP would **not** be required if the system triggered the FSRP requirement again within 10 years of the preceding on as long as:

- the system's AV shows that the system's expected funding period > 30 but < 40 years; and
  - the system is adhering to an FSRP formulated before September 1, 2025; or
  - the system is implementing or will ultimately use an ADC rate **and** the AV shows that the system is expected to achieve full funding.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### General Pension Bills

#### HB 3898 (continued) - Funding Policy, FSRP Updates, & IPPE Changes

##### FSRP Changes (continued)

If another FSRP is triggered within 10 years of the first FSRP, the revised FSRP has stricter requirements:

- must be designed to achieve a **25-year amortization period** within two years of the triggering AV and must include risk sharing, ADC structure, or other adjustable benefit or contribution mechanisms.

**Required Documentation.** The system will be able to submit to the PRB an actuarial valuation that shows the combined impact of all changes of an FSRP or R-FSRP within 90 days of adoption. If the system does not provide the AV within the time allotted, the PRB may request the system provide a separate analysis. The AV or separate analysis must include an actuarial projection of the system's expected future assets and liabilities between the AV date and full funding date; and a description of all assumptions used to perform the analysis, which much conform with ASOPs.

**Sponsor may pay all or part of the costs of separate analyses** (original and revised FSRPs). System must pay any remaining costs not covered by the sponsor. Also, FSRPs (original and revised) cannot include actions that are subject to future approval.

Additional conforming changes are made to the Fort Worth Employees' Retirement Fund FSRP statute (Sec. 802.2016).

**Grandfathering.** Plans already subject to FSRP or who become subject **before September 1, 2021**, will continue to operate under the previous law, except if a plan falls off track and must formulate a revised FSRP. The system would, instead, prepare a new FSRP that **would have to meet the requirements after September 1, 2021, and target 30 years instead of 40.**

#### Investment Practices and Performance Evaluation Changes

IPPEs must include the following disclosures:

- A **summary of the independent firm's experience** in evaluating investment performance and practices and a statement stating the firm's experience meets statutory requirements.
- A statement disclosing the **nature of any existing relationship** between the independent firm and the retirement system (including whether the firm is involved directly/indirectly in managing the investments of the system).
- A list of **the types of remuneration** received by the firm from sources other than the system for services provided to the system.
- **Statement(s) disclosing conflict of interests** concerning the firm and retirement system; and
- An explanation of the firm's **determination regarding whether to include a recommendation.**

**Formal review-and-comment process:** The firm must deliver an initial draft to the system before the 30<sup>th</sup> day after the evaluation is completed to allow the system to submit actions or comments. The firm must file a final report between 31 and 60 days from delivering the initial report to the system for review. The employer may pay all or part of the cost of the evaluation, and the retirement system would pay the remainder.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### General Pension Bills

#### [HB 867 - Pensions and QDROs \(Thompson, Senfronia\)](#)

Status: *Signed by Governor 5/19/21; Effective 9/1/21*

The bill clarifies that Qualified Domestic Relations Orders (QDRO) or similar orders for maintenance or child support would apply to pensions, retirement plans, and other employee benefits. Judges are allowed to revise new and previous orders to comply with the requirements of a QDRO and the terms of a benefit plan if a plan administrator rules the existing order does not meet the requirements. Chapter 804 of the Texas Government Code prevails if there are conflicting statutes.

### Statewide Systems

#### Employees Retirement System of Texas (ERS)

#### [SB 321 - ERS Funding & Cash Balance Tier 4 \(Huffman\)](#)

Status: *Signed by Governor 6/18/21; Effective 9/1/21*

The state is required make an **additional actuarially determined annual contribution** to pay off the legacy liability **by August 31, 2054**. The system will create a cash balance plan for new members hired on or after September 1, 2022.

##### ***Tier 4 (members hired on/after September 1, 2022) – Cash Balance***

- Tier 4 members will **contribute 6 percent** of their compensation into an individual account.
- Members of the employee class will be **vested after five years of service** and could retire with a minimum of five years of service at age 65, or if they met the rule of 80.
- The **lifetime annuity** will be equal to the member's accumulated account balance plus a 150 percent employer match at retirement.
- There are no changes to the retirement eligibility for members of the elected class.

Law enforcement and custodial officer supplemental retirement fund (LECOSRF) will also have the new cash balance benefit tier. Law enforcement and custodial officers will contribute an additional 2 percent into LECOSRF. The **lifetime annuity** will be equal to the member's accumulated account balance plus a 300 percent employer match at retirement.

**Interest and Gain sharing.** The system will credit the employee or retiree's **accumulated account balance** with a 4 percent guaranteed annual **interest credit** plus a **gain sharing interest credit** of 50 percent of the average return on the system's investments over the preceding five years greater than or equal to 4 percent and less than or equal to 10 percent, for a maximum of 3 percent gain sharing interest adjustment.

- For example, if the average rate of return over the preceding five years were 7 percent, the total interest credited to the employee's account will be 5.5 percent, consisting of the 4 percent minimum interest credit and 1.5 percent of gain sharing interest credit.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Statewide Systems

#### Employees Retirement System of Texas (ERS)

##### [SB 321 \(continued\) - ERS Funding & Cash Balance Tier 4](#)

**Changes for Current Members.** A current member could retire without separating from their position if the member had enough service credit to receive the maximum annuity, was at least 60 years-old and was not entitled to any additional retirement benefits. This change would be subject to IRS plan qualification requirements.

##### [HB 917 - ERS Board Composition \(Hernandez\)](#)

**Status:** *Signed by Governor 5/15/21; Effective 9/1/21*

ERS board eligibility criteria will change to allow one of the three elected board members to be a retiree. Under current law, retirees are eligible to be appointed members, but not elected members.

##### [SB 1071 - ERS Peace Officer Disability Retirement \(Hinojosa\)](#)

**Status:** *Signed by Governor 6/16/21; Effective 9/1/21*

Occupational disability payment for a law enforcement or custodial officer whose disability makes the person unable to work solely due to the disability will be considered a total disability under federal social security law. Currently, such members receiving an occupational disability retirement annuity receive 100 percent of their average monthly compensation.

The annuity amount will change to an amount computed based on the maximum salary authorized under the position classification salary schedule prescribed by the General Appropriations Act, as adjusted from time to time, applicable to the position from which the person retired. This change applies to all applicable members, including those already receiving an annuity under the current statute. Payments will be recomputed to the increased amount beginning with the first payment date on or after the bill becomes effective.

#### Teacher Retirement System of Texas (TRS)

##### [HB 1585 - TRS Sunset Bill \(Lambert\)](#)

**Status:** *Signed by Governor; Effective immediately 5/26/21*

For any members who retired after January 1, 2021, and returned to work for a Texas public education institution, TRS shall send a written warning to any retiree who could lose their benefits for working beyond statutory limitations. If TRS determines that a retiree continued to work past statutory limitations, the retiree will be required to pay either the amount they earned in benefits or the amount they earned through employment for each month after the issuance of the warning.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Statewide Systems

#### Teacher Retirement System of Texas (TRS)

##### **HB 1585 (continued) - TRS Sunset Bill**

The bill updates board training requirements and adds a requirement for the executive director to develop a training manual. Additionally, it creates an ombudsman's office to protect, assist, and advocate for members and enhances requirements to search for a missing member or heir to notify the member of ability to be refunded contributions. It also creates outreach and member education program requirements. Finally, the bill makes clarifying, technical changes to TRS statute by replacing the investment practices and performance evaluation (IPPE) provision with a reference to the PRB IPPE requirement. TRS complied with the PRB's IPPE provision to satisfy a similar requirement contained in its own statute. This bill brings the TRS and PRB statutes in alignment with the system's current practice.

##### **SB 202 - TRS Employer Contributions (Schwertner)**

Status: *Signed by Governor; Effective immediately 6/14/21*

Employer contribution paid on behalf of a rehired retiree (employer surcharge) cannot be passed on directly or indirectly to a retiree through methods like payroll deductions, fees, or other means. The change begins with the 2021-2022 school year and applies to all retirees.

##### **SB 288 - TRS Loss of Monthly Annuity (Seliger)**

Status: *Signed by Governor 6/14/21; Effective 9/1/21*

TRS is required to send a written warning to any retiree subject to a loss of benefits due to employment exceeding statutory limitations. If TRS determines that a retiree continues to exceed the statutory limitations on employment, the retiree is required to pay, for each month after issuance of the warning, either the amount they earned in benefits, or the amount earned through employment. Benefits are not withheld from retirees returning to work or contributions will not be collected from the employer on behalf of the rehired retiree (employer surcharge) for positions related to student learning loss because of COVID-19.

The position would have to be in addition to the normal staffing level at the public educational institution; be funded wholly or partly by federal funds for the purpose of COVID-19 relief and end on or before December 31, 2024. It does not apply to disability retirees. This is a temporary exemption scheduled to expire February 1, 2025.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Statewide Systems

#### Teacher Retirement System of Texas (TRS)

##### [SB 7 \(2<sup>nd</sup> Called Legislative Session\) – 13<sup>th</sup> Check for TRS \(Huffman\)](#)

*Status: Signed by Governor 9/9/21; Effective Immediately*

TRS will issue a one-time supplemental payment to eligible annuitants in an amount equal to the lesser of their monthly benefit or \$2,400. The TRS board determines eligibility for and the timing of the supplemental payment, payable no later than January 2022. Payment is only required if the legislature appropriates sufficient money.

#### ERS & TRS – Bills Affecting Both Systems

##### [SB 483 - Biennial Report on Investment Returns \(Schwertner\)](#)

*Status: Signed by Governor 6/14/21; Effective 9/1/21*

ERS and TRS must biennially submit a report that details and compares the assumed rate of return and actual rate of return for the system for the last 1-year, 5-year, 10-year and 20-year period to the Governor, Lt. Governor, and the Legislature. The report must include an estimate of what the market value of the total assets of the fund would have been for each period had the system achieved the assumed rate of return and a comparison between the estimate (what the total assets would have been) and the actual market value of the total assets in the fund.

#### Texas Municipal Retirement System (TMRS)

##### [SB 1105 - TMRS Resumption of Service \(Hughes\)](#)

*Status: Signed by Governor 5/28/21; Effective 9/1/21*

Retired TMRS members can be reemployed by the same municipality after a one-year break in service without having their benefit payment suspended. The one-year break must consist of 12 consecutive months after the effective date of retirement.

Members who resumed employment before September 1, 2021, who had their benefits suspended could have them reinstated if they met the criteria.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### All Statewide Systems

#### **SB 13 - Energy Boycott Investment Restriction (Birdwell)**

Status: *Signed by Governor 6/14/21; Effective 9/1/21*

Certain state governmental entities are prohibited from investing in companies that boycott energy companies. State public retirement systems that qualify include the Employees Retirement System, the Teacher Retirement System, the Texas Municipal Retirement System, the Texas County and District Retirement System, and the Texas Emergency Services Retirement System.

A system may delay or stop divesting if there was clear evidence divestment would cause financial suffering. Systems are not required to divest from indirect holdings, but they would be required to write to the fund managers to ask them to remove listed companies from the fund or create a similar fund without those listed companies. Systems would not be subject to these requirements if it is inconsistent with fiduciary and legal duties.

#### **SB 19 - Firearm/Ammunition Divestment (Schwertner)**

Status: *Signed by Governor 6/14/21; Effective 9/1/21*

State agencies and political subdivisions are prevented from entering contracts paid from public funds unless there is a written verification that the company does not discriminate against firearm manufacturers or trade associations for no other reason than being a firearm manufacturer or trade association and will not do so while the contract is in effect. This would only apply to contracts that begin after the effective date. The restrictions only apply to contracts with companies with at least 10 employees and a value of at least \$100,000.

State agencies are excepted from this requirement if it is inconsistent with constitutional or statutory duties surrounding debt issuance or investments.

#### **HB 3375 - Dallas Police & Fire Pension Fund DROP Partial Lump-Sum (Davis)**

Status: *Signed by Governor 6/16/21; Effective 9/1/21*

Dallas Police & Fire Pension Fund may provide lump-sum payments from DROP accounts in the event of unforeseeable emergency or financial hardships. The board will define unforeseeable emergencies, financial hardships, what types of death benefits would qualify for the partial lump sum payments and the maximum payout amount.

#### **HB 4068 - Dallas Police & Fire Pension Fund Staff (Parker)**

Status: *Signed by Governor 6/15/21; Effective 9/1/21*

Dallas Police & Fire Pension Fund staff may join TMRS. The fund's members and/or trust fund cannot join TMRS.



# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Local Systems

#### **HB 4368 - Austin Police Retirement System (Rodriguez)**

Status: *Signed by Governor 6/15/21; Effective 9/1/21*

The governing statute of Austin Police plan was amended to make several changes to its contribution and benefit structure including the following:

##### ***Contribution Changes***

- Member contributions increase by 2 percent, from 13 percent to 15 percent of pay beginning January 1, 2022.
- City contributions are divided into two parts:
  - A legacy liability layer to pay the unfunded liability as of December 31, 2020, over 30 installments. The first three years would result in a phase-in of approximately 1/3 of the contribution increase and growing at a rate of 3 percent thereafter.
  - The sum of the employer's normal cost and a layered amortization component designed to eliminate any unexpected future changes in the unfunded liability. Losses amortized over a max of 30 years.
- The portion of the city contribution designed to fund future benefit accruals is subject to a minimum and maximum corridor of +/-5 percent of the projected corridor midpoint.

##### ***Benefit Changes***

- Creates a new benefit tier (Group B)
  - Reduces the multiplier from 3.2 percent to 2.5 percent.
  - Changes retirement eligibility from age 55 and 20 years of service to 50 and 25.
  - Increases final average salary calculation from the highest 36 months to highest 60.

##### ***Actuarial Assumptions & Experience Study***

Requires the board's actuary to perform an experience study every five years and notify the city. The city will then inform the system whether it would perform its own experience study, review the experience study, or accept the system's. If the city performs its own or does a review, the actuaries from the city and system will be required to determine the hypothetical contribution rate based on the proposed assumptions. If the difference was greater than 2 percent of payroll, they would be required to reconcile the difference within 20 business days or consult a third-party actuary. The board retains the responsibility to set actuarial assumptions.

##### ***Board Composition & Authority***

Removes one police officer member. One additional citizen member appointed by the city council is added to the existing one appointed by the board. Also, both citizen members are required to have finance or investment experience. Removes the board's authority to increase benefits, lower retirement eligibility, or grant COLAs.

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### Appendix D – Directory of Actuarially Funded Defined Benefit Plans in Texas

#### **Abilene Firemen's Relief & Retirement Fund**

Rodney Goodman  
102 Cedar St. Suite 100  
Abilene TX 79601  
(325) 665-8447

#### **Amarillo Firemen's Relief & Retirement Fund**

Matthew Poston  
PO Box 1971  
Amarillo TX 79105  
(806) 378-3040

#### **Arlington Employees Deferred Income Plan**

Jerry Pea  
PO Box 90231  
Arlington TX 76004  
(817) 459-6869

#### **Atlanta Firemen's Relief & Retirement Fund**

Ricky Draper  
PO Box 1030  
Atlanta TX 75551  
(903) 796-2303

#### **Austin Employees' Retirement System**

Christopher Hanson  
6850 Austin Center Blvd. Suite 320  
Austin TX 78731  
(512) 458-2551

#### **Austin Fire Fighters Relief & Retirement Fund**

Anumeha Kumar  
4101 Parkstone Heights Dr Ste 270  
Austin TX 78746  
(512) 454-9567

#### **Austin Police Retirement System**

Pattie Featherston  
2520 S IH 35 Ste 100  
Austin TX 78704  
(512) 416-7672

#### **Beaumont Firemen's Relief & Retirement Fund**

Joni Hanley  
1515 Cornerstone Ct  
Beaumont TX 77706  
(409) 866-1526

#### **Big Spring Firemen's Relief & Retirement Fund**

AJ Weber  
310 Nolan St  
Big Spring TX 79720  
(432) 263-4036

#### **Brazos River Authority Retirement Plan**

David Thompson  
PO Box 7555  
Waco TX 76714  
(254) 761-3100

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **Brownwood Firemen's Relief & Retirement Fund**

Melanie Larose  
PO Box 1389  
Brownwood TX 76804  
(325) 646-5775

### **Capital MTA Retirement Plan for Administrative Employees**

Donna Simmons  
2910 E 5<sup>th</sup> St  
Austin TX 78702  
(512) 389-7400

### **Capital MTA Retirement Plan for Bargaining Unit Employees**

Donna Simmons  
2910 E 5<sup>th</sup> St  
Austin TX 78702  
(512) 389-7400

### **Cleburne Firemen's Relief & Retirement Fund**

John Harrell  
114 W Wardville  
Cleburne TX 76033  
(817) 645-0965

### **Colorado River Municipal Water District Defined Benefit Retirement Plan & Trust**

Mireya Castilaw  
PO Box 869  
Big Spring TX 79721  
(432) 267-6341

### **Conroe Fire Fighters' Retirement Fund**

Jordan Stepanski  
P.O. Box 497  
Conroe TX 77305  
(936) 756-5917

### **Corpus Christi Fire Fighters' Retirement System**

Gracie Flores  
711 N Carancahua Ste 724  
Corpus Christi TX 78401  
(361) 882-1486

### **Corpus Christi Regional Transportation Authority**

Robert Saldana  
602 N Staples St  
Corpus Christi TX 78401  
(361) 289-2712

### **Corsicana Firemen's Relief & Retirement Fund**

Connie Standridge  
200 N 12th St  
Corsicana TX 75110  
(903) 654-4815

### **CPS Energy Pension Plan**

Cheryl Yager  
PO Box 1771  
San Antonio TX 78296  
(210) 353-2948

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **Dallas County Hospital District Retirement Income Plan**

Joe Mayer  
5200 Harry Hines Blvd  
Dallas TX 75235  
(214) 590-4123

### **Dallas Employees' Retirement Fund**

Cheryl Alston  
1920 McKinney Avenue  
Dallas TX 75201  
(214) 580-7700

### **Dallas Police & Fire Pension System-Combined Plan**

Kelly Gottschalk  
4100 Harry Hines Blvd Ste 100  
Dallas TX 75219  
(214) 638-3863

### **Dallas Police & Fire Pension System-Supplemental**

Kelly Gottschalk  
4100 Harry Hines Blvd Ste 100  
Dallas TX 75219  
(214) 638-3863

### **Dallas/Fort Worth Airport Board DPS Retirement Plan**

Maruchy Cantu  
PO Box 619428  
Dallas TX 75261  
(972) 973-5464

### **Dallas/Fort Worth Airport Board Retirement Plan**

Maruchy Cantu  
PO Box 619428  
Dallas TX 75261  
(972) 973-5464

### **DART Employees' Defined Benefit Retirement Plan & Trust**

M. Elizabeth Reich  
PO Box 660163  
Dallas TX 75266  
(214) 749-3278

### **Denison Firemen's Relief & Retirement Fund**

Zera Taylor  
PO Box 347  
Denison TX 75021  
(903) 465-2720

### **Denton Firemen's Relief & Retirement Fund**

Gary Calmes  
PO Box 2375  
Denton TX 76202  
(940) 349-8200

### **City of El Paso Employees' Retirement Trust**

Robert Ash  
1039 Chelsea St.  
El Paso TX 79903  
(915) 212-1785

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **El Paso Firemen & Policemen's Pension Staff Plan and Trust**

Tyler Grossman  
909 East San Antonio Avenue  
El Paso TX 79901  
(915) 771-8111

### **El Paso Firemen's & Policemen's Pension Fund**

Tyler Grossman  
909 East San Antonio Avenue  
El Paso TX 79901  
(915) 771-8111

### **Employees Retirement System of Texas**

Porter Wilson  
PO Box 13207  
Austin TX 78711  
(512) 867-7711

### **Fort Worth Employees' Retirement Fund**

Eleza Bennett  
3801 Hulen St Ste 101  
Fort Worth TX 76107  
(817) 632-8900

### **Fort Worth Employees' Retirement Fund Staff Plan**

Eleza Bennett  
3801 Hulen St Ste 101  
Fort Worth TX 76107  
(817) 632-8900

### **Galveston Employees' Retirement Fund**

Jacque Vasquez  
4415 Avenue S  
Galveston TX 77571  
(409) 765-5274

### **Galveston Employees' Retirement Plan for Police**

Jacque Vasquez  
4415 Avenue S  
Galveston TX 77571  
(409) 765-5274

### **Galveston Firefighter's Relief & Retirement Fund**

Rebecca Johnson  
6511 Stewart Rd Unit 4 B  
Galveston TX 77551  
(409) 740-0881

### **Galveston Wharves Pension Plan**

Mark Murchison  
PO Box 328  
Galveston TX 77553  
(409) 766-6146

### **Greenville Firemen's Relief & Retirement Fund**

Derek Sheets  
PO Box 1049  
Greenville TX 75403  
(903) 457-2940

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **Guadalupe-Blanco River Authority**

Randy Staats  
933 E Court St  
Seguin TX 78155  
(830) 379-5822

### **Harlingen Firemen's Relief & Retirement Fund**

Nanette Fox  
PO Box 2207  
Harlingen TX 78551  
(956) 216-5704

### **Harris County Hospital District Pension Plan**

Kari McMichael  
4800 Fournace Place, 6W  
Bellaire TX 77401  
(346) 426-0183

### **Houston Firefighters' Relief & Retirement Fund**

Timothy Schauer  
4225 Interwood N Pkwy  
Houston TX 77032  
(281) 372-5100

### **Houston MTA Non-Union Pension Plan**

Daniel Weber  
PO Box 61429  
Houston TX 77208  
(713) 739-4886

### **Houston MTA Workers Union Pension Plan**

Daniel Weber  
PO Box 61429  
Houston TX 77208  
(713) 739-4886

### **Houston Municipal Employees Pension System**

David Long  
1201 Louisiana Ste 900  
Houston TX 77002  
(713) 595-0100

### **Houston Police Officers' Pension System**

Patrick Franey  
602 Sawyer St Ste 300  
Houston TX 77007  
(713) 869-8734

### **Irving Firemen's Relief & Retirement Fund**

Kelly Slater  
845 W Irving Blvd  
Irving TX 75060  
(972) 721-4858

### **Irving Supplemental Benefit Plan**

Robert Cascante-Diaz  
825 W Irving Blvd  
Irving TX 75060  
(972) 721-2696

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **JPS Pension Plan - Tarrant County Hospital District**

Lea Anne Porter  
1108 Lavaca Street Ste 700  
Austin TX 78701-2180  
(512) 465-1544

### **Judicial Retirement System of Texas Plan Two**

Porter Wilson  
PO Box 13207  
Austin TX 78711  
(512) 867-7711

### **Killeen Firemen's Relief & Retirement Fund**

Jennifer Hanna  
PO Box 10849  
Killeen TX 76547  
(254) 931-0338

### **Laredo Firefighters Retirement System**

Jaime Jasso  
PO Box 3069  
Laredo TX 78044  
(956) 717-8018

### **Law Enforcement & Custodial Officer Supplemental Retirement Fund**

Porter Wilson  
PO Box 13207  
Austin TX 78711  
(512) 867-7711

### **Longview Firemen's Relief & Retirement Fund**

Pam Randolph  
411 N Fredonia St Ste 110  
Longview TX 75601  
(903) 212-4357

### **Lower Colorado River Authority Retirement Plan**

Laura Flores  
3700 Lake Austin Blvd  
Austin TX 78703  
(817) 569-4300

### **Lower Neches Valley Authority Employees Benefit Plan**

Annette Purington  
PO Box 5117  
Beaumont TX 77726-5117  
(409) 892-4011

### **Lubbock Fire Pension Fund**

AJ Weber  
4223 85th Street  
Lubbock TX 79423  
(806) 762-1590

### **Lufkin Firemen's Relief & Retirement Fund**

Cristi Elmore  
PO Box 190  
Lufkin TX 75902  
(936) 630-0555

# 2023 GUIDE TO PUBLIC RETIREMENT SYSTEMS IN TEXAS

## TEXAS PENSION REVIEW BOARD

### **Marshall Firemen's Relief & Retirement Fund**

Debra Jones  
PO Box 698  
Marshall TX 75671  
(903) 935-4526

### **McAllen Firemen's Relief & Retirement Fund**

Leonard Dahlberg  
201 N 21<sup>st</sup> St  
McAllen TX 78501  
(956) 681-2500

### **Midland Firemen's Relief & Retirement Fund**

Shera Crow  
PO Box 4296  
Midland TX 79704  
(432) 685-7213

### **Nacogdoches County Hospital District Retirement Plan**

Lynn Lindsey  
1204 N Mound St.  
Nacogdoches TX 75961  
(936) 569-4611

### **Northeast Medical Center Hospital Retirement Plan**

Roger Brown  
PO Box 1508  
Humble TX 77347  
(281) 319-8415

### **Northwest Texas Healthcare System Retirement Plan**

Matthew Poston  
PO Box 1971  
Amarillo TX 79105  
(806) 378-3040

### **Odessa Firemen's Relief & Retirement Fund**

Jill Contreras  
1921 E 37th St  
Odessa TX 79762  
(432) 614-2491

### **Orange Firemen's Relief & Retirement Fund**

Amanda Secor  
PO Box 520  
Orange TX 77631  
(409) 886-3611

### **Paris Firefighters' Relief & Retirement Fund**

Bob Rast  
1444 N Main  
Paris TX 75460  
(903) 784-9225

### **Plainview Firemen's Relief & Retirement Fund**

Valessa Gutierrez  
911 Quincy St  
Plainview TX 79072  
(806) 291-1247



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## TEXAS PENSION REVIEW BOARD

### **Plano Retirement Security Plan**

Teresa Exley  
PO Box 860358  
Plano TX 75086  
(972) 941-7115

### **Port Arthur Firemen's Relief & Retirement Fund**

Debra Jones  
PO Box 1089  
Port Arthur TX 77641  
(409) 983-8734

### **Port of Houston Authority Retirement Plan**

Roger Guenther  
PO Box 2562  
Houston TX 77252  
(713) 670-2400

### **Refugio County Memorial Hospital District Retirement Plan**

Ruby Martinez  
107 Swift St  
Refugio TX 78377  
(361) 526-2321

### **Retirement Plan for Anson General Hospital**

Lea Anne Porter  
1108 Lavaca Street Ste 700  
Austin TX 78701-2180  
(512) 346-1590

### **Retirement Plan for Citizens Medical Center**

Lea Anne Porter  
1108 Lavaca Street Ste 700  
Austin TX 78701-2180  
(512) 346-1590

### **Retirement Plan for Employees of Brownsville Navigation District**

Erika Kusjanovic  
1000 Foust Road  
Brownsville TX 78521-1000  
(956) 831-4592

### **Retirement Plan for Guadalupe Regional Medical Center**

Lea Anne Porter  
1108 Lavaca Street Ste 700  
Austin TX 78701-2180  
(512) 346-1590

### **Retirement Plan for Sweeny Community Hospital**

Lea Anne Porter  
1108 Lavaca Street Ste 700  
Austin TX 78701-2180  
(512) 346-1590

### **San Angelo Firemen's Relief & Retirement Fund**

Ronald Partusch  
306 W 1st St  
San Angelo TX 76903  
(325) 657-4355

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## TEXAS PENSION REVIEW BOARD

### **San Antonio Fire & Police Pension Fund**

Warren Schott  
11603 W Coker Loop  
San Antonio TX 78216  
(210) 534-3262

### **San Antonio Metropolitan Transit Retirement Plan**

Cathy DeYoung  
PO Box 12489  
San Antonio TX 78212  
(210) 362-2216

### **San Benito Firemen Relief & Retirement Fund**

Ana V. Tinsley  
1201 S Sam Houston Blvd  
San Benito TX 78586  
(512) 686-2849

### **Sweetwater Firemen's Relief & Retirement Fund**

Debra Jones  
PO Box 588  
Sweetwater TX 79556  
(409) 828-0425

### **Teacher Retirement System of Texas**

Brian Guthrie  
1000 Red River St  
Austin TX 78701  
(512) 542-6400

### **Temple Firemen's Relief & Retirement Fund**

Jake Herndon  
PO Box 6101  
Temple TX 76503  
(254) 774-5834

### **Texarkana Firemen's Relief & Retirement Fund**

Debra Jones  
PO Box 1967  
Texarkana TX 75504  
(409) 828-0425

### **Texas City Firemen's Relief & Retirement Fund**

Debra Jones  
1801 9th Ave N  
Texas City TX 77590  
(409) 643-5714

### **Texas County & District Retirement System**

Amy Bishop  
901 S. MoPac Expy Barton Oaks Plaza IV, Suite 500  
Austin TX 78746  
(512) 328-8889

### **Texas Emergency Services Retirement System**

Shirley Hays (Interim)  
PO Box 12577  
Austin TX 78711  
(512) 936-3372

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## TEXAS PENSION REVIEW BOARD

### **Texas Municipal Retirement System**

David Wescoe  
PO Box 149153  
Austin TX 78714  
(512) 476-7577

### **The Woodlands Firefighters' Retirement System**

Jennifer Hanna  
PO Box 497  
Conroe TX 77305  
(936) 537-4475

### **Travis County ESD #6 Firefighter's Relief & Retirement Fund**

Ana V. Tinsley  
124 White Fox Cove  
Round Rock TX 78664  
(512) 686-2849

### **Tyler Firemen's Relief & Retirement Fund**

Jim Mullicane  
1718 W Houston St  
Tyler TX 75702  
(903) 535-0005

### **University Health System Pension Plan**

George Hernandez  
4502 Medical Dr  
San Antonio TX 78229  
(210) 358-2218

### **University Park Firemen's Relief & Retirement Fund**

Dustin Lewis  
3800 University Blvd  
Dallas TX 75205  
(214) 987-5380

### **Waxahachie Firemen's Relief & Retirement Fund**

Gary Myers  
407 Water St  
Waxahachie TX 75168  
(972) 937-1200

### **Weslaco Firemen's Relief & Retirement Fund**

Debra Jones  
PO Box 8188  
Weslaco TX 78599  
(409) 828-0425

### **Wichita Falls Firemen's Relief & Retirement Fund**

James (Chris) Duncan  
624 Indiana St Ste 305  
Wichita Falls TX 76301  
(940) 761-7901